

883A.00/1-760

0001

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

AIR POUCH
PRIORITY

CONFIDENTIAL
(Security Classification)

DO NOT TYPE IN THIS SPACE

FOREIGN SERVICE DESPATCH

883a.00/1-760

FROM : AmEmbassy BEIRUT

388
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

January 7, 1960

DATE

REF : CERP Section C, Item 1; EmbDesp 376, December 31, 1959

JAN 12 1960

For Dept. Use Only	ACTION	DEPT.
	REC'D	IN F O
	1-13	USIA-10 A9-8 TAR-2 TR-3 FRB-2 XMB-4 HHFA-2

SUBJECT: Weekly Economic Review No. 1 - Lebanon - Week Ending January 7, 1960

FAA-6 CAB-6 ARMY-35 NAVY-20 AIR-30
CIA-16 OSD-2 OCB-2

Contents

- I. UNCLASSIFIED - Government Policy: Prime Minister KARAME Predicts Bright New Year for Lebanese Economy
- II. UNCLASSIFIED - Economic Development: French Experts Begin Survey of Lebanese Development Needs (See W.E.R. 48)
- III. CONFIDENTIAL - Economic Development: La Societe des Grands Hotels du Liban (Phoenicia Hotel) Accepts ExIm Bank Loan
- IV. UNCLASSIFIED - Finance: BCAIF DLF Loan Approved by Council of Ministers (See W.E.R. 52)
- V. UNCLASSIFIED - Government Policy: Council of Ministers Acts to Ban Diesel-Powered Vehicles (See W.E.R. 49)
- VI. UNCLASSIFIED - Finance: Customs Receipts in 1959 Reach All-Time High (See W.E.R. 49)
- VII. UNCLASSIFIED - Agriculture: East Germany Buys Lebanese Citrus Fruit
- VIII. UNCLASSIFIED - Civil Aviation: Lebanese-Iranian Civil Aviation Discussions
- I. UNCLASSIFIED - Government Policy: Prime Minister KARAME Predicts Bright New Year for Lebanese Economy

Prime Minister Rashid Karame, inaugurating last week what is to be a regular weekly broadcast over Radio Liban on the economic situation in Lebanon, cited the tremendous gains made by the Lebanese economy in 1959 and predicted that 1960 would see the Lebanese economy climbing to even higher levels. The Prime Minister noted that the economic consequences of the disastrous events of 1958 have now almost

RPSmith:mll
REPORTER

CONFIDENTIAL

ACTION	ACTION
ASSIGNED TO	TAKEN
NAME OF OFFICER	DATE OF
& OFFICE SYMBOL	ACTION
	DIRECTIONS
	TO RM/R

ACTION COPY - DEPARTMENT OF STATE

The action office must return this permanent record copy to RM/R files with an endorsement of action taken.

883A.00/1-760

CLASSIFIED FILE

FEB 2 - 1960

1 L E O

0002

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

CONFIDENTIAL

Page 2 of
Despatch No. 388
From Beirut

disappeared and stated that Lebanon should face 1960 with increased confidence in the vigor and viability of the Lebanese economy. Citing the tremendously increased customs receipts (which in 1959 have increased some 30 percent over those of 1958), the successful efforts of the Fruit Office to obtain additional markets for Lebanese fruit abroad, and the small but growing industrial sector, the Prime Minister found the only sour note in the transit trade activity, which has not yet regained its pre-disturbance levels. He predicted, however, that increasing cooperation between the Arab states would soon go far toward solving that problem, as well as furthering the development of normal economic relations between the neighboring Arab states. He predicted that the strength of the Lebanese pound, the Lebanese banking system, and the generally favorable investment climate in Lebanon would continue to attract increasing amounts of foreign capital.

OFFICIAL USE ONLY - Comment: Although Prime Minister Karame failed to mention some weak spots in the Lebanese economy, particularly the serious agricultural situation caused largely by drought conditions extending over the past two years, his general optimism is nevertheless borne out by the events of 1959. Although final figures are not yet available, it appears certain that 1959 will go down as a year of recovery. The Lebanese economy has shown a remarkable ability to bounce back from the near-disastrous events of 1958.

II. UNCLASSIFIED - Economic Development: French Experts Begin Survey of Lebanese Development Needs (See W.E.R. 48)

Technicians of the French firm "Centre Internationale de Formation et de Recherche en Vue du Developpement Harmonise" (IRFED) arrived in Beirut last week and, according to press reports, will begin their survey work this week. The French firm, headed by Reverend Father LEBRET, is to undertake a comprehensive survey of Lebanon's economic development needs with the assistance of designated Lebanese technicians.

Comment: Lebanese officials are hopeful that the French survey, scheduled to be completed by September 1960, will result in some sort of "five year plan" which will be more workable and realistic than the ill fated and uncoordinated five year plan announced in early 1958 but never approved. More details concerning the composition and work of the French firm will be transmitted to the Department by separate despatch.

III. CONFIDENTIAL - Economic Development: La Societe des Grands Hotels du Liban (Phoenicia Hotel) Accepts ExIm Bank Loan

The Board of Directors of the Phoenicia Hotel Company, in a stormy session which lasted without a break from 10:00 a.m., December 30, to 1:00 a.m., December 31, agreed to accept the ExIm Bank loan in the amount of \$3,175,000 which was authorized by the ExIm Bank on July 30 and revised on September 3 and November 25. The Embassy has been advised that the fight centered around Mr. Najib SALHA, who was resisting attempts by new shareholders to form a group which could wrest control from him. The exact ratio

CONFIDENTIAL

0003

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

CONFIDENTIAL

Page 3 of
Despatch No. 388
From Beirut

of participation in stock ownership by the shareholders is not yet known to the Embassy but will be reported separately as the information becomes available.

Comment: By obtaining agreement prior to midnight on December 31, the hotel company was able to come under the wire of the Exim Bank's deadline for acceptance of the loan.

The Phoenicia Hotel, which will be managed by the Pan American Airways-controlled Intercontinental Hotels Corporation, will be the first really deluxe hotel in Lebanon and should offer some inducement to travelers transiting Beirut to break the monotony of their travel and avail themselves of the tourist inducements which Lebanon boasts.

IV. UNCLASSIFIED - Finance: BCAIF DLF Loan Approved by Council of Ministers (See W.E.R. 52)

The Embassy has been informed that late in the evening of December 30, the Council of Ministers approved the acceptance by the Banque de Credit Agricole, Industriel et Foncier (BCAIF) of the \$5 million DLF loan. The terms of the loan have been amended several times, and it now appears that final Parliamentary approval by the Chamber of Deputies will be forthcoming within the next week. Directors Talha YAFFI and Abdul KHOURY will then proceed to Washington for final acceptance and signature.

V. UNCLASSIFIED - Government Policy: Council of Ministers Acts to Ban Diesel-Powered Vehicles (See W.E.R. 49)

On December 30, during a meeting of the Council of Ministers which lasted far into the night, the decision was taken to ban the further use in Lebanon of diesel-powered vehicles, while granting a delay for the changeover to be effected. Vehicles which were diesel powered when they were imported into Lebanon must have their engines changed by January 1, 1961. Vehicles which were originally gasoline powered, but whose engines were changed over to diesels, have until July 1, 1960, to replace the diesel motor. Trucks and buses must make the changeover during 1961, and no diesel-powered vehicle will be allowed to operate in Lebanon after January 1, 1962.

Comment: The decision of the Council of Ministers will affect some 2,700 vehicles now operating with diesel motors in Lebanon. It has been roundly condemned by groups of car owners and particularly by a taxi drivers' union, but the delay granted for the changeover is likely to lessen the impact of this criticism. The overwhelming majority of the affected vehicles are Mercedes Benz-manufactured. The long range effect may be to give a slight boost to lagging sales of U.S. cars.

CONFIDENTIAL

0004

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

CONFIDENTIAL

Page 4 of
Despatch No. 388
From Beirut

VI. UNCLASSIFIED - Finance: Customs Receipts in 1959 Reach All-Time High (See W.E.R. 49)

Customs receipts in December increased from the November figure of L.L. 8,410,000 to a new high of L.L. 9,485,000. This brings the total customs receipts for 1959 to an all-time annual high of approximately L.L. 89 million, well in excess of the previous high in 1957 of L.L. 77,575,000.

Comment: The tremendous upsurge in customs receipts has come as a most welcome surprise to most observers, since earlier in 1959 it was hoped only that the 1957 level could be approached. Prime Minister Karame recently pointed to the increase in customs receipts in 1959 as still another indication of the recovery of the Lebanese economy from the near-disastrous civil disturbances of 1958 (see Section I above).

VII. UNCLASSIFIED - Agriculture: East Germany Buys Lebanese Citrus Fruit

The Director of the Lebanese Fruit Office, Antoine EDDE, has confirmed to Embassy officers that Lebanese citrus fruit exporters have just concluded an agreement to sell to East Germany 2,000 tons of citrus fruit. The first shipment will leave Beirut next week on a Soviet vessel.

Comment: Added to the 3,500 tons of apples and citrus fruit purchased by the East Germans in December, the latest purchase brings to a total of 5,500 tons of Lebanese fruit that the East Germans have purchased during the current season.

VIII. UNCLASSIFIED - Civil Aviation: Lebanese-Iranian Civil Aviation Discussions

A Lebanese delegation of civil aviation officials is now in Tehran for discussions with the Iranians on concluding a new civil air agreement. At present, on the basis of a temporary agreement, Lebanese civil air carriers operate four weekly schedules Beirut-Tehran and the Iranian carriers operate three schedules.

OFFICIAL USE ONLY - There are two issues upon which agreement will be sought during the current discussions: (1) a uniform policy regarding fifth freedom restrictions applicable to third country carriers operating between Beirut-Tehran, and (2) pooling between the Lebanese and Iranian carriers. Lebanon has been placing some fifth freedom restrictions on certain international carriers operating Beirut-Tehran (EmbDesp 750, June 19, 1959) and would like to have Iran take the same position.

CONFIDENTIAL

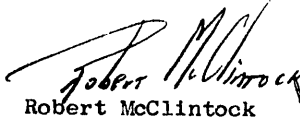
0005

DECLASSIFIED
Authority NND 949569
By ET NARA Date 7/23/04

CONFIDENTIAL

Page 5 of
Despatch No. 388
From Beirut

With regard to pooling, the Embassy is informed that discussions have been held by the Lebanese and Iranian carriers, and it is expected that this subject will be given serious consideration.


Robert McClintock

Contributors:
THENesbitt
MMTurner

cc: AmEmbassies AMMAN, ANKARA, BAGHDAD, CAIRO, JIDDA, LONDON, PARIS, TEL AVIV,
TRIPOLI; AmConsGen ALEPPO, DAMASCUS, DHAHRAN; AmConsulates ADEN, KUWAIT.

CONFIDENTIAL



0006

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

INCOMING TELEGRAM

Department of State

ACTION COPY

CONFIDENTIAL

Classification

Control: 5978

Rec'd:

JANUARY 12, 1960
7:56 A.M.

56-52

Action

NEA

Info

SS

G

SP

C

L

H

INR

E

UCEA

UMSC

ICA

DCL

IRC

CIA

RMR

FROM: BEIRUT

TO: Secretary of State

NO: 2193, JANUARY 11, 5 P.M. (SECTION ONE OF TWO)

DEPARTMENT PASS ICA/W AND DEFENSE

MAIN PURPOSE OF MY NEW YEAR'S CALL THIS MORNING ON PRESIDENT CHEHAB WAS TO SET FRAMEWORK FOR A NEW APPROACH TO LEBANESE-AMERICAN ECONOMIC RELATIONS, PARTICULARLY IN RESPECT OF AID. I HAD IN MIND DEPTTEL 2072 AND EMBTELS 2077 AND 2087 AND G-55.

FOR THE FIRST TIME I HAVE TALKED WITH PRESIDENT SINCE HE TOOK OFFICE, GENERAL DID NOT MENTION ANY ASPECT OF AMERICAN AID.

THIS POSSIBLY WAS BECAUSE I HAD TAKEN INITIATIVE IN OUTLINING MY HOPES FOR ASSISTANCE TO LEBANON IN PRIVATE SECTOR BY AMERICAN BUSINESS, AND IN PUBLIC SECTOR THROUGH GREATER APPLICATION OF IMAGINATION AND ENERGY, BUT WITH LITTLE COST TO US TAXPAYERS.

PRESIDENT CHEHAB SHOWED GREAT ENTHUSIASM WHEN I WENT OVER POSSIBILITIES OF IMPROVING LEBANON'S ECONOMIC AND GOVERNMENTAL REVENUE FROM TOURISM. HE ASKED FOR A COPY OF GREEK LAW ON TOURISTIC DEVELOPMENT, WHICH WAS PERFECTED WITH US ASSISTANCE, AND IN GENERAL FELT THAT SUGGESTIONS I HAD PREVIOUSLY OFFERED IN BEIRUT TO PERSONS INTERESTED IN TOURIST INDUSTRY HAD VALIDITY.

I ALSO SPOKE TO PRESIDENT OF MY FEELING THAT MINISTER OF AGRICULTURE IS A MAN WHO COMBINES PRACTICALITY WITH IDEALISM. PRESIDENT LIKewise MADE REFERENCE TO AN APPROACH RECENTLY UNDERTAKEN BY MAITRE MAURICE GEMAYEL WITH ALSO VIEW TO INTERESTING LARGE AMERICAN CHAIN STORES IN POSSIBILITY OF PURCHASING LEBANESE TEXTILES. (THIS REFERS TO A RECENT INTERVIEW BETWEEN OVERSEAS SERVICE CORPORATION OF WASHINGTON WITH FITZGERALD OF ICA/W IN WHICH LATTER, ACCORDING TO LETTER FROM OVERSEAS SERVICE TO GEMAYEL, SUGGESTED THAT PRESIDENT CHEHAB SHOULD MAKE AN OFFICIAL APPROACH

PERMANENT

RECORD COPY • This copy must be returned to RM/R central files with notation of action taken •

CONFIDENTIAL

REPRODUCTION FROM THIS
COPY IS PROHIBITED
UNLESS "UNCLASSIFIED"

1 me document first sent
to the RM/R Central Files

883A.00/1-1160

C.A.

CLASSIFIED

0007

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

CONFIDENTIAL

-2- 2193, JANUARY 11, 5 P.M. (SECTION ONE OF TWO) FROM BEIRUT

TO ME REQUESTING ICA GOOD OFFICES FOR SENDING OF A STUDY GROUP TO LEBANON TO LOOK INTO PROSPECTS OF GREATER US PURCHASES OF LEBANESE GOODS.) CHEHAB SAID, HOWEVER, HE WISHED TO MAKE NO REQUEST OF ME TODAY, AS HE WANTED TO LINE UP HIS DOMESTIC DUCKS FIRST. HE SPOKE WITH SOME HEAT OF SELFISH ATTITUDE OF LEBANESE TEXTILE MANUFACTURERS WHO WANTED TO EAT THEIR CAKE AND HAVE IT TOO, CLAMORING AT ONE TIME FOR PROTECTION, AND AT ANOTHER FOR GREATER EXPORT MARKETS, WITH PUBLIC AND LABOR SECTORS SEEMINGLY DISREGARDED.

I BELIEVE THAT WE MAY BE CAUTIOUSLY OPTIMISTIC IN LOOKING FORWARD TO A YEAR IN WHICH, BARRING CATASTROPHIC UNFORESEEN CIRCUMSTANCES, THERE WILL BE NO OCCASION TO REQUEST MORE THAN MINIMUM GRANT AID. HOWEVER, I HAVE IN NO WAY CEASED TO BELIEVE THAT WE SHOULD IN LARGE MEASURE MEET GOL REQUESTS MADE LAST YEAR FOR ASSISTANCE IN RESPECT OF 50,000 TONS PL-480 TITLE TWO WHEAT, AND FOR PRESIDENTIAL DETERMINATION OF MILITARY AID IN NEIGHBORHOOD OF \$900,000. IF THESE GRANTS CAN BE MADE, I BELIEVE 1960 CAN BECOME A YEAR IN WHICH WE CAN BRING ICA ASSISTANCE TO LEBANON DOWN TO A VERY MODERATE LEVEL, ALONG LINES SUGGESTED DEPTEL 2072.

PRIOR TO LIPPINCOTT'S DEPARTURE, I DISCUSSED ENTIRE GAMUT OF ICA ACTIVITY WITH EACH USOM CHIEF OF SECTION AND, IN GENERAL, AM SATISFIED THAT EXPERTS ON BOARD ARE DOING A GOOD JOB. OUR 1-MAN AGRICULTURAL SECTION COSTS ONLY HIS OWN SALARY, WHILE HIS CONTACTS IN MINISTRY AND IN PRIVATE SECTOR OF AGRICULTURE ARE WORTH MANY TIMES THAT SUM. IN RURAL ELECTRIFICATION WE STILL HAVE SOME WAY TO GO BECAUSE, OF \$4.6 MILLION OF RICHARDS AID FOR MATERIAL, MUCH OF PIPE AND OTHER EQUIPMENT REMAINS TO BE INSTALLED. A SIMILAR SITUATION EXISTS IN RESPECT OF VILLAGE WATER SUPPLY, WHERE \$2 MILLION FOR EQUIPMENT HAS BEEN PUT IN USE, AS AGAINST \$3.5 MILLION OF RICHARDS AID IN FORM OF PIPE OF WHICH 90 PERCENT HAS NOT YET BEEN USED. HOWEVER, I FELT THAT PUBLIC WORKS SECTION OF USOM CAN USEFULLY ASSIST LEBANESE MINISTRY OF PUBLIC WORKS IN BRINGING THESE PROJECTS TO FRUITION WITH CREDIT TO OURSELVES.

CONFIDENTIAL

0000

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

CONFIDENTIAL

-3- 2193, JANUARY 11, 5 P.M. (SECTION ONE OF TWO) FROM BEIRUT

IN FIELD OF HIGHWAYS BUREAU OF PUBLIC ROADS TEAM HAS DONE AN OUTSTANDING JOB IN ASSISTING LEBANESE NOT ONLY TO EXPEND REMNANTS OF OUR OWN AID FUNDS, BUT ALSO IN ASSISTING LEBANESE MINISTRY OF PUBLIC WORKS IN ITS PLANNING AND EXECUTION. A SIMILAR SITUATION EXISTS IN RESPECT OF AID FOR BEIRUT INTERNATIONAL AIRPORT, FOR WHICH WE HAD SET ASIDE \$1.3 MILLION MOSTLY FOR ELECTRONIC EQUIPMENT AND SOME CONSTRUCTION. OWING TO LONG LEAD TIME IN PROCUREMENT OF ELECTRONIC ITEMS, THIS PROJECT WILL PROBABLY REQUIRE AN ADDITIONAL 2 TO 3 YEARS BEFORE FINAL INSTALLATION. ICA WORK ON AIRPORT IS DIRECTLY IN US INTEREST IN

MCCLINTOCK

HMR:JR

CLASSIFIED FILE

CONFIDENTIAL

0009

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

TELEGRAM

Department of State

ACTION COPY

CONFIDENTIAL

o-52
Action

NEA

Info

SS

G

SP

C

L

H

INR

E

UCEA

UMSC

ICA

DCL

IRC

CIA

RMR

FROM: Beirut

TO: Secretary of State

NO: 2193, January 11, 5 p.m. (SECTION TWO OF TWO)

Control: 6113

Rec'd: January 12, 1960
11:10 a.m.

DEPARTMENT PASS ICA/W AND DEFENSE

view of importance of Beirut to US carriers, and of importance of Lebanon as a member ICAO council.

In field of public safety, we have a foot in door in a project assist Lebanese security forces in establishing a proper system of criminal identification. This project, although modest in scope, should likewise be of interest to other agencies in Washington.

In realm of industry (which likewise has attempted to handle problem of DLF loans) there seems to be a highly encouraging trend for a direct relationship between private sector of Lebanese business community and ICA-sponsored management training teams. This is one of few aspects of USOM activity where influential private citizens work with USOM without going through governmental, and therefore bureaucratic, intervention.

Similar to this approach is project for English teaching, which combines a nice cooperation between USOM and USIS where despite implacable opposition of Director General of Education to any form of English teaching (because Director General is extremely reluctant to see any foreign language but French operative in Lebanon), program to date has succeeded in teaching some 18,000 Lebanese English, and at present time over 4,000 students are enrolled. I spoke to President this morning about opposition by Director General to continuation of English teaching project, and he said he would pass the necessary word.

USOM's activity in administering ICA scholarships for AUB stands in a class apart and requires no intervention with GOL. In similar category is ICA/State interest in quiet grants-in-aid to AUB.

As for administrative and control aspects of USOM, in general they seem

PERMANENT

CONFIDENTIAL

RECORD COPY • This copy must be returned to RM/R central files with notation of action taken •

UNLESS "UNCLASSIFIED"
REPRODUCTION FROM THIS
COPY IS PROHIBITED.

DECLASSIFIED

Authority NND 940569

By [] NARA Date 7/23/04

CONFIDENTIAL

-2- 2193, January 11, 5 p.m. (SECTION TWO OF TWO), from Beirut

seem to be fairly efficient, although application of Parkinson's law is evident. Ultimately, as present programs financed with past years money are completed, there should be no requirement for a controller at all.

My ultimate hope would be to have a much truncated Point IV operation in Lebanon, which conveniently could be made a section of this Embassy under a counselor for Point IV operations. This could consist, hopefully, of an economist/financial expert to handle possible DLF applications, and to continue fruitful program of industrial management training with private sector of Lebanese economy; continuation of present one-man agricultural section; a public works expert, with some assistance from a BPR team; an expert on public safety; and an educational attache who would also deal with scholarships for American University of Beirut with a suitable small staff. Administrative support would be provided by Embassy.

Question of military aid should be considered apart because of its political implications, not only in respect to neighboring countries, but always having in mind that President of Lebanon is a career soldier whose army is apple of his eye. I feel--and country team concurs--that Defense Department should be prepared to spare parts to maintain capital investment we have already made in Lebanese armed forces and, above all with respect to training which we feel of paramount importance as new generation of young officers is groomed to take over.

In other words, as I see 1960 ahead, we should be able to meet Department and ICA/W requirements as outlined DEPTTEL 2072 and ICATO 294. However, I reiterate need for affirmative action in regard to PL-480 wheat and Presidential determination for military assistance.

MCCLINTOCK

BB:CC-10

CONFIDENTIAL

0011
DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

AIR POUCH
PRIORITY

CONFIDENTIAL
(Security Classification)

DO NOT TYPE IN THIS SPACE

FOREIGN SERVICE DESPATCH

883a.00/1-1460

FROM : AmEmbassy BEIRUT

404
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

January 14, 1960

REF : CERP Section C, Item 1; EmbDesp 388, January 7, 1960

JAN 16 1960

For Dept. Use Only	ACTION Com-12	DEPT. REP-1	NEA-4	E-7	IRC-15	10A-11	EUR-5	L-20	
	REC'D 1-18	IN F OTHER O	USIA-10	AG-8	IN-7	TAR-2	TR-3	FRB-2	XMB-4

SUBJECT: Weekly Economic Review No. 2 - Lebanon - Week Ending January 14, 1960

Contents

- I. UNCLASSIFIED - Highlights
- II. UNCLASSIFIED - Economic Development: Capital of Phoenicia Hotel, La Societe des Grands Hotels du Liban, Increased in Final Shareholders Meeting of 1959 (See W.E.R. 1)
- III. UNCLASSIFIED - Tourism: Tourist Revenue Figures Announced (See W.E.R. 39)
- IV. UNCLASSIFIED - Agriculture: Heavy Rains Brighten Outlook for Farmers (See W.E.R. 51)
- V. UNCLASSIFIED - Agriculture: Additional Fruit Export Figures Announced (See W.E.R. 50)
- VI. UNCLASSIFIED - Government Policy: "Renault" Removed from Blacklist; Danny KAYE Added
- VII. UNCLASSIFIED - Petroleum: Tapline Liftings Show a Downward Trend
- VIII. UNCLASSIFIED - Aviation: Breakdown of Lebanese-Iranian Civil Aviation Negotiations (See W.E.R. 1)
- IX. UNCLASSIFIED - Aviation: (a) Lebanon and Italy Reach Preliminary Understanding on Terms of an Air Agreement; (b) Results of Investigation of Afghan Aircraft Crash at Beirut Announced
- X. UNCLASSIFIED - Labor: Oil Union's Demands
- XI. UNCLASSIFIED - Foreign Trade: New Customs Tariff Established

RPSmith:mll
REPORTER

CONFIDENTIAL

ACTION ASSIGNED TO.	ACTION TAKEN	DIRECTIONS TO RM/R	
NAME OF OFFICER & OFFICE SYMBOL	DATE OF ACTION		

ACTION COPY - DEPARTMENT OF STATE

The action office must return this permanent record copy to RM/R files with an endorsement of action taken.

883A.00/1-1460

FILED
FEB 3 - 1960

CLASSIFIED FILE

0012

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

CONFIDENTIAL

Page 2 of
Despatch No. 404
From Beirut

I. UNCLASSIFIED - Highlights

Commercial activity in Beirut appears to be continuing at a steady pace, and most newspapers have dwelt at great length on the success of the Lebanese economy in bouncing back quickly from the events of 1958. A general and apparently well justified feeling of optimism appears to permeate financial and commercial circles. Heavy rains this week have eased considerably the agricultural situation insofar as the current wheat crop is concerned, although the present shortage of cereals remains serious. Although December figures are not yet available, most signs point to a continuing upward trend in the economy, with the agricultural sector remaining the most apparent weak spot.

II. UNCLASSIFIED - Economic Development: Capital of Phoenicia Hotel, La Societe des Grands Hotels du Liban, Increased in Final Shareholders Meeting of 1959 (See W.E.R. 1)

At the extraordinary general meeting of the shareholders of the hotel company which was held on December 30-31, 1959, the capital stock of the company was increased from L.L. 7.5 million to L.L. 16.5 million. Of the estimated L.L. 26 million required to complete the hotel (spring 1961), the ExIm Bank will supply L.L. 10 million or \$3.175 million at the current exchange rate.

CONFIDENTIAL - Comment: Pan American Airways, through its Intercontinental Hotel Corporation, will retain a 22 percent interest in the hotel which will be protected by the management contract in effect between the hotel company and the Intercontinental Hotel Corporation. A further measure of protection will be afforded by the acceptance, at the insistence of the PAA group, of the so-called Betshtel plan for the completion of the hotel. The Betshtel plan as accepted calls for the issuance of tenders and the awarding of bids based on U.S. standards and will preclude kick-backs and other forms of graft. The Embassy has been advised in confidence by PAA representatives that PAA and a group of other stockholders which PAA considers "friendly" will control 50.4 percent of the voting shares of the hotel.

III. UNCLASSIFIED - Tourism: Tourist Revenue Figures Announced (See W.E.R. 39)

The Lebanese Commissioner General of Tourism, Michel TOUMA, announced to the press this week that tourist revenues accruing to Lebanon during 1959 reached a total of approximately L.L. 84 million (\$27 million). He predicted that this figure would be exceeded in 1960, "if not doubled." The amount of L.L. 84 million compares to the 1957 figure of approximately L.L. 100 million (\$32 million), and substantiates the earlier complaints of many Lebanese hotel owners and operators that last summer's tourist business fell short of the 1957 season, acknowledged to be a prosperous one.

CONFIDENTIAL

0013

DECLASSIFIED
Authority NND 949569
By ☒ NARA Date 7/23/04

CONFIDENTIAL

Page 3 of
Despatch No. 404
From Beirut

LIMITED OFFICIAL USE - Comment: Rumors persist that Mr. Touma, whose work as Commissioner General of Tourism has been widely criticized, may soon be replaced. President CHEHAB is known to be taking an increasing interest in the potential benefits to Lebanon of a successful tourist program. Lebanon's tourist potential is enormous, but an intelligent and well-coordinated program to develop and publicize its attractions will be necessary before Mr. Touma's optimistic predictions are realized.

IV. UNCLASSIFIED - Agriculture: Heavy Rains Brighten Outlook for Farmers (See W.E.R. 51)

Heavy rains fell in Lebanon this week bringing some hope to farmers who were seriously concerned over still another possible drought year. Ministry of Agriculture sources were quoted in the press as stating that the heavy rains will help save some of the current wheat crop, although the present wheat supply situation remains critical.

CONFIDENTIAL - Comment: Despite the most welcome rain which should help next year's crop, Lebanese officials are still concerned over the present cereals shortage and continue to press Embassy officers for an early and favorable response to their request for P.L. 480, Title II, cereals assistance.

V. UNCLASSIFIED - Agriculture: Additional Fruit Export Figures Announced (See W.E.R. 50)

The Lebanese Fruit Office has just published a communique which indicates that it is continuing to meet with considerable success in marketing the current fruit crop abroad. According to Fruit Office figures, 13,083 tons of citrus fruit were exported in December, bringing the grand total as of the end of the year to 21,027 tons. An additional 8,932 tons of apples were exported during December, bringing the total as of December 31 to 30,753 tons. Syria and Jordan have been the largest importers of citrus fruits, while Iraq and Syria have imported the largest number of Lebanese apples.

Comment: Most Lebanese fruit exporters appear to agree that the current fruit crop has moved into foreign markets very well, and at generally favorable prices.

VI. UNCLASSIFIED - Government Policy: "Renault" Removed from Blacklist; Danny KAYE Added

The Boycott of Israel Office in Beirut has announced that a decision has been taken to remove "Renault", the French automobile manufacturing company, from the blacklist. The move follows the company's submission of "proof" that it has stopped dealing with Israel.

CONFIDENTIAL

0014

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

CONFIDENTIAL

Page 4 of
Despatch No. 404
From Beirut

In another decree, however, American comedian Danny KAYE was added to the blacklist for "pro-Zionist activities." Mr. Kaye will not be permitted to enter Lebanon, nor will his films or records be allowed to enter the country. A few days earlier, American movie star Elizabeth TAYLOR was also added to the blacklist for similar pro-Zionist activities.

CONFIDENTIAL - Comment: Boycott officials have revealed that the ban will not affect films which are already being exhibited in Lebanon, but that it would prevent any future films made by these stars from entering the country. Distributors of American films as well as owners of local theaters are becoming increasingly concerned at the new determination of Lebanese Boycott officials to "crack down" on American stars with Israeli ties of one kind or another. Embassy officers have been informed that they have protested to the Lebanese Government and have asserted that if the present policy continues, almost all of the better American pictures will be banned from the Arab states, leaving a wide open field for an increasing number of Egyptian films. However, the Embassy has received no protest from representatives of American movie companies.

VII. UNCLASSIFIED - Petroleum: Tapline Liftings Show a Downward Trend

Despite the fact that Aramco production is averaging approximately 110 million barrels per day (BPD), which is considered to be normal or above normal, Tapline liftings at Sidon show a downward trend. Liftings for 1959 average 337,985 BPD as compared with liftings in 1958 of approximately 368,000 BPD. The 1960 forecast is approximately 282,000 BPD. The present liftings are below the 1960 forecast and average approximately 280,000 BPD. The lowest liftings of 1959 took place in November with approximately 271,500 BPD.

Comment: It appears that the downward trend in Tapline liftings is a direct reflection of the soft tanker market and the increased size and speed of new tankers.

VIII. UNCLASSIFIED - Aviation: Breakdown of Lebanese-Iranian Civil Aviation Negotiations (See W.E.R. 1)

After two weeks of discussions, the Lebanese-Iranian civil aviation negotiations which were being held in Tehran were broken off on January 9. Apparently these negotiations did not get beyond the question of frequencies and the number of carriers that would be authorized operating rights between Beirut and Tehran. The causes of the rupture of the discussions are reported to be:

1. Iran wanted to limit to two the number of Lebanese air carriers operating between Beirut and Tehran, although three Lebanese companies were operating this schedule on the basis of the provisional agreement. The Lebanese position was that only the number of weekly schedules should be fixed and that each respective

CONFIDENTIAL

0015

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

CONFIDENTIAL

Page 5 of
Despatch No. 404
From Beirut

government should be free to divide the authorized flights between the national airlines of their respective countries.

2. Lebanon wanted to increase the six weekly flights provided for in the provisional agreement to ten per week. The Iranian delegation refused to accept this recommendation.

OFFICIAL USE ONLY - Comment: Prior to their departure for Tehran, the Lebanese negotiating team had not anticipated any real difficulties and, it is believed, had hoped that a closer working arrangement could be developed between Iran and Lebanon that would lend itself toward establishing a uniform fifth freedom policy in regard to international civil air carriers operating Beirut-Tehran and vice versa.

Undoubtedly one of the main motivating factors behind the Iranian position came from the desire of the Persian Air Service (PAS), an Iranian freight carrier, to eliminate the freight carrying traffic rights Beirut-Tehran on the part of Trans-Mediterranean Airlines (TMA). During the past year TMA had an operating agreement with PAS whereby TMA conducted, with TMA aircraft, all freight responsibilities of this Iranian carrier. This agreement was terminated at the end of 1959 and the PAS made an arrangement with Sabena wherein Sabena would replace TMA and conduct all the PAS services formerly accomplished by TMA (see Embassy despatch 694, May 28, 1959).

As a result of the breakdown of the Lebanese-Iranian civil aviation negotiations, the Iranians apparently considered that the provisional air agreement between the two countries was terminated, as the Iranian Government refused to allow a scheduled Lebanese freight-carrying aircraft from TMA to unload its freight in Tehran on January 9, 1960. In reprisal, the Lebanese Government impounded an Iranian aircraft at the Beirut International Airport on January 10. Negotiations between the two governments are now under way in an attempt to clear up the confusion.

IX. UNCLASSIFIED - Aviation: (a) Lebanon and Italy Reach Preliminary Understanding on Terms of an Air Agreement

It has been announced that the Lebanese and Italians, through diplomatic channels, have reached an agreement "in principle" on the terms of an air agreement. An Italian delegation is expected to arrive in Beirut in the latter part of January to resume the negotiations that broke down in December 1959.

UNCLASSIFIED - (b) Results of Investigation of Afghan Aircraft Crash at Beirut Announced

The Lebanese committee set up to investigate the November 1959 crash of the Afghanistan airliner at Beirut has issued an official report which places the responsibility for the accident on the pilot. The report indicates that the Ariana

CONFIDENTIAL

0016

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

CONFIDENTIAL

Page 6 of
Despatch No. 404
From Beirut

Airlines DC-4 was in good order upon take-off, but one engine caught fire immediately after take-off. The pilot, due to his concern over the loss of an engine, or due to his inexperience, failed to follow the proper course for take-off and flew directly into the hillside. The investigating team was unable to determine the cause of the engine failure.

X. UNCLASSIFIED - Labor: Oil Union's Demands

Unions representing employees of two oil marketing companies are currently demanding 1) a wage increase, and 2) job reclassification. The wage demand comes from the Mobil Oil Employees Union, while the second was made some time ago by the LEPCO Employees and Workers Union. The proposal of the Mobil Oil Employees Union calls for an increase in wages totaling 10½ percent, comprising 3 percent for an automatic annual increment, 1½ percent for a cost of living adjustment, and 6 percent to cover the "amusement" item in the Mobil Oil Company's cost of living index. The union contends that the amusement item was first included in the index in 1941, but no weight was assigned to it on the ground that the employees should forego amusements as part of their contribution to the war effort. The union proposals were handed to the company on January 8, and there has been no reaction thus far from the company. Another controversy between the union and management is almost certain to result, however.

The LEPCO Employees and Workers Union concluded an agreement with the company some time ago which provided for several benefits including a wage increase and a job reclassification to be completed by December 31, 1959. Any wage changes resulting from this reclassification would be retroactive to June 1, 1959. Since the deadline of December 31, 1959, was not met, the union on January 1, 1960 gave its executive board authority to take "such steps as it sees fit" if by January 15 the job reclassification issue had not been settled. It is possible that the company will effect a settlement prior to the January 15 deadline in an attempt to forestall further labor difficulties.

XI. UNCLASSIFIED - Foreign Trade: New Customs Tariff Established

By Decree No. 926 dated December 14, 1959, the Lebanese Government abolished the existing customs tariff schedule and provided for its replacement by an entirely new schedule which will use the nomenclature established by the Brussels Convention of 1950. Although the text of the new schedule is not yet available to the Embassy, customs officials have advised that it will involve mainly changes in numbering and nomenclature with only a few minor adjustments in the duties themselves. The new tariff is effective as of January 1, 1960.

A Foreign Office official has informed the Embassy that Lebanon's adoption of the Brussels system of nomenclature is in accordance with a policy decision taken by the

CONFIDENTIAL

0017

DECLASSIFIED
Authority NND 949569
By ET NARA Date 7/23/04

Page 7 of
Despatch No. 404
From Beirut

OFFICIAL USE ONLY - Comment: Article 6 of the new decree provides that "additional customs duties on certain products...shall be collected for the account of the 'autonomous reconstruction fund' until December 31, 1962, under the same conditions as the ordinary customs duties." The autonomous National Office of Reconstruction, beneficiary of similar special duties first levied after the 1956 earthquake, was finally abolished on January 30, 1959, following repeated charges of graft and incompetence, and was replaced by a General Directorate of Construction whose chief is directly responsible to the Minister of Public Works. Positions in the new directorate, however, are believed to have been manned largely by the staff of the old reconstruction office, and the directorate, which is financially autonomous, "administers" the reconstruction fund. In view of the low opinion of the old reconstruction office held by both press and public, and in the absence of a clear justification for the continued need of an "autonomous reconstruction fund", it will be surprising if the additional customs duties outlined in Article 6 do not come under heavy fire.


Robert McClintock

THENesbitt
HDSnell
MMTurner
CBCook

cc: AmEmbassies AMMAN, ANKARA, BAGHDAD, CAIRO, JIDDA, LONDON, PARIS, TEL AVIV,
TRIPOLI; AmConsGen ALEPPO, DAMASCUS, DHAHRAN; AmConsulates ADEN, KUWAIT.

CONFIDENTIAL

0018

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

AIR POUCH

PRIORITY

UNCLASSIFIED

(Security Classification)

DO NOT TYPE IN THIS SPACE

FOREIGN SERVICE DESPATCH

883A.00/1-1960

FROM : AmEmbassy BEIRUT

414
DESP. NO.

JAN 23 1960

TO : THE DEPARTMENT OF STATE, WASHINGTON.

January 19, 1960

REF : CERP Section C, Item 2; EmbDesp 295, November 20, 1959; CERP Section D, Items I-A-4,5,6; I-B-2; II-A-2,5,6; II-B-1; III-A-1; IV-A-3,4,6; V-A-1,4,5,7; VI-A-2; VII-A-1,2,5,6; VII-B-3; VIII-A-1,2,3,4,6; VIII-B-1,4; IX-A-2; IX-B-2

9 For Dept. Use Only	ACTION	DEPT.
	REC'D	OTHER
	1-25-60	CIA-10 *TR-3 FRB-3 TAR-2 *LAB-6 Ag-8

SUBJECT: Lebanon: Summary of Economic Developments - Fourth Quarter 1959

TABLE OF CONTENTS

Summary

I. I. Finance

- A. Money and Banking 3
- B. Exchange Market 4
- C. State Budget 4

II. Foreign Trade and Economic Relations 5

III. Agriculture 6

IV. Industry 7

V. Construction and Rents 8

VI. Tourism 8

VII. Domestic Business 9

VIII. Transportation and Communications

A. Aviation 10

B. Land and Sea Transport 11

IX. Petroleum Affairs 11

X. Labor 12

XI. Economic Development and Foreign Aid 13

XII. Government Policy 15

Lebanon - Economic Indicators

Enclosure No. 1

RPSmith:all
REPORTER

UNCLASSIFIED

ACTION ASSIGNED TO:	ACTION TAKEN
NAME OF OFFICER	DATE OF ACTION
OFFICE SYMBOL	DIRECTIONS TO RM/R

ACTION COPY — DEPARTMENT OF STATE

The action office must return this permanent record copy to RM/R files with an endorsement of action taken.

883A.00/1-1960

FILED

FEB 11 1960

0019

DECLASSIFIED

Authority NND 940569

By PT NARA Date 7/23/04

UNCLASSIFIED

Page 2 of
Despatch No. 414
From Beirut

SUMMARY:

Developments during the fourth quarter indicate rather decisively that 1959 will go down as a year of recovery. Struggling to recover the impetus lost during the civil disturbances of 1958, the Lebanese economy at year's end can be said to have succeeded, in many sectors, in regaining its pre-disturbance levels. Exploiting its traditional reliance upon trade and services, its favorable geographic location and its traditional wealth of human resources, Lebanon has bounced back from the near disaster of 1958 into a period of humming economic activity. Commercial confidence has been restored, bank deposits have continued to climb, and port traffic figures have continued to increase throughout the reporting period. New buildings are going up in Beirut at an impressive pace, although the new construction is balanced by several thousand empty apartments in Beirut and by a continuing high level of rents.

Beirut continues to justify its title as an intercontinental trade center with a well-equipped port, a busy international airport, a generally effective transport system, and adequate storage, insurance and banking facilities. Despite a large visible trade deficit, it is apparent that Lebanon has no immediate balance of payments problem and continued in 1959 to run an annual surplus. The balance of payments surpluses in turn have been matched by a steady growth in the monetary gold stock and in foreign exchange assets. The Government's economic policy is characterized principally by a minimum of Government interference in or control of economic activity. The Government has succeeded in the maintenance of absolutely free trade in gold and foreign exchange, and despite this freedom, the Lebanese pound has generally been prevented from fluctuating widely on the world market. The policy of maintaining a strong, freely convertible and stable currency has succeeded not only in promoting trade but in continuing to attract an inflow of foreign capital, particularly from neighboring oil-rich countries. Taxes have remained generally low with customs duties used to produce income rather than to limit imports. The labor situation has remained relatively stable, and the flow of tourists into Lebanon during the year was good although not as heavy as was hoped for. The Government is investigating various development projects and has employed a French firm for a comprehensive survey of the nation's development needs.

There are, however, several weak spots in the Lebanese economy which are immediately apparent. One is the precariousness of the principal source of income, namely, trade and services. Since a large proportion of the Lebanese services are "exported" to neighboring Arab countries, the continuing tendency of these countries to bypass Lebanon will cause the export of such services to decline and with them the level of income. The domestic market in Lebanon remains quite narrow, limited by the small population. This in turn limits the growth of industry and its ability to absorb surplus labor from agriculture and the depressed rural areas. The agricultural sector in general has had a poor year, with the 1958 aftermath and two successive drought years causing a serious shortage of cereals which becomes more apparent

UNCLASSIFIED

0020

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

UNCLASSIFIED

Page 3 of
Despatch No. 414
From Beirut

every day. This has been partially balanced, however, by the successful marketing of the sizeable apple and citrus fruit crops abroad.

Despite these weaknesses, the state of the Lebanese economy at the end of the fourth quarter was unquestionably better than that prevailing at the end of the third quarter, and the general mood of the country is one of considerable optimism. There is much discussion of the need to attract increasing numbers of foreign tourists and of the necessity of instituting development projects which will provide a broader support for the Lebanese economy as a whole. The appointment of a new eight-man Cabinet in October was welcomed warmly in most of the Lebanese press, and the new members of the Cabinet are generally regarded as men of high caliber. Although certain sectors of the economy, notably transit trade, have not reached pre-disturbance levels and are not likely to reach them in the foreseeable future, Lebanon has made considerably more progress during the year than was expected by many observers.

o o o o o o

I. FINANCE:

A. Money and Banking:

In October the currency issue was increased for the second time in as many months. After having climbed to L.L. 397 million in September, the currency issue was increased in October by another L.L. 3 million to a total of L.L. 400 million, the highest amount in circulation since November 1958. The new issue was covered by an increase in the currency cover element, "Government-guaranteed loans", and resulted in a slight decrease in the percentage of gold backing, which dropped from 77.8 percent in September to 77.2 in October. The additional notes were apparently released following a request from the Banque de Syrie et du Liban's (BSL) commercial branch for more currency in order to meet the increased demands on it of certain other banking institutions.

In mid-December, official figures from the BSL revealed that a marked readjustment of the elements within the currency cover had occurred. The gold element in the cover had increased from an amount valued at L.L. 308.7 million to L.L. 342.2 million. As a result, the gold coverage of the currency issue increased from 77.2 percent to 85.5 percent. At the end of the fourth quarter, the composition of the currency cover stood as follows, with figures for September 15 in parentheses for purposes of comparison: gold - L.L. 342.2 million (L.L. 308.7 million); Treasury bills - L.L. 45.5 million (L.L. 47.4 million); Government-guaranteed loans to third parties - L.L. 12.1 million (L.L. 19.6 million); loans to public organizations - L.L. 0.0 (L.L. 21.0 million).

Comment: Since Lebanese law requires that the total Treasury bills outstanding must be reduced annually by at least 3 percent, the reduction in the item "Treasury

UNCLASSIFIED

0021

DECLASSIFIED
Authority NND 949569
By ET NARA Date 7/23/04

UNCLASSIFIED

Page 4 of
Despatch No. 414
From Beirut

bills" presumably results from debt retirement. The Exchange Stabilization Fund of the BSL accumulated amounts of dollars during the first three quarters of 1959 which were undoubtedly in excess of any immediately foreseeable foreign exchange or stabilization needs. This excess supply may well have been gradually converted to the additional gold which first appeared in the currency cover in December and also used for increased imports as reflected in the customs receipts. The increase in the gold content of the cover by such a large amount at one time is rather unusual, but not without precedent in Lebanese monetary history. It is also in keeping with the BSL's long standing policy of maintaining the gold content of the Lebanese pound at the highest possible level. There had been rumors earlier in the year that further purchases of gold were contemplated by the BSL as a routine operation.

Final figures for the third quarter reveal an increase in demand deposits from L.L. 661 million at the end of the second quarter to L.L. 742 million at the end of the third. Time deposits increased over the same period from L.L. 67 million to L.L. 72 million. Despite the banks' liquid position, however, a general reluctance to extend large grants of new credit is still discernible, due largely to a certain amount of uncertainty concerning future economic and political conditions. Fourth quarter figures are not yet available.

B. Exchange Market:

Ushering in a considerable increase in commercial activity in October, the foreign exchange market became more active than it had been in some time. Leading currencies were in strong demand, and except for the Swiss franc, almost all listings registered at least a slight advance during October. The dollar climbed back to L.L. 3.154 on October 20, to L.L. 3.155 on October 31, and then spurted to a recent high of L.L. 3.165 at the end of November. Similar increases toward the close of November were also noted in the pound sterling, which rose to L.L. 8.89. At the end of the year the dollar had risen still further and was holding steady at just over L.L. 3.18 while the pound sterling was up to L.L. 8.90.

Officials of the Ministry of Finance and other Government spokesmen continue to point to the high level of foreign exchange deposits in Lebanese banks as another indication of confidence and continuing prosperity in Lebanon. Although no fourth quarter figures are available, the level of such deposits probably remains high, as reflected in the final third quarter figure of L.L. 174 million. Kuwaiti and Saudi Arabian money is known to be flowing into Lebanon in quantity, although no accurate figures are available on the exact amounts.

C. State Budget:

Following the Government announcement on September 30 that the Council of Ministers had approved the Ordinary State Budget for 1960 in the amount of L.L. 220 million,

UNCLASSIFIED

0022

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

UNCLASSIFIED

Page 5 of
Despatch No. 414
From Beirut

the budget was transmitted to Parliament for ratification. The Chamber of Deputies, however, has not yet taken action, although debate is expected momentarily. More details on the State Budget were contained in Embassy despatch 295, November 20, 1959. As reported in that despatch, the budget is shown in balance, but reveals an estimated excess of receipts over expenditures of L.L. 3.4 million. The total budget figure has increased some L.L. 14 million over that of 1959, and L.L. 20 million over that of 1958. In a breakdown of proposed expenditures by ministries, the Ministry of National Defense again accounts for the largest amount, followed by the Ministry of Public Works, Ministry of National Education and the Ministry of Interior.

II. FOREIGN TRADE AND ECONOMIC RELATIONS:

Beirut port activity during the fourth quarter continued to increase. Although a slight dip in port movement occurred in November, total port tonnage in December reached a total of 159,231 metric tons of cargo, consisting of unloadings of 133,384 tons and loadings of 25,847 tons. The December figures are the highest of the year except for those of September. A projection of these figures indicates that port activity has almost reached its pre-disturbance levels, when the total figure for the year (1957) was 2,018,174 metric tons. The total actual tonnage handled at Beirut's port during 1959 reached 1,664,012 metric tons.

Final figures for the fourth quarter reveal that the once-flourishing transit trade through the Port of Beirut has failed to reach its pre-disturbance levels. The port handled a total of 340,937 metric tons of transit goods in 1959, which compares with a total of 587,200 tons in 1957, the last normal year. The 1959 figure is an increase over disturbance-ridden 1958, of course, but except for that year it is the lowest annual figure since 1953. The increasing reliance of Syria on the port of Latakia and of Jordan on the port of Aqaba makes it unlikely that the transit situation will improve significantly in the near future. Most businessmen and observers appear not to be greatly concerned with the loss of the lucrative transit trade, however, and the economy of Lebanon seems to be thriving despite its loss.

The "Provisional Council of Arab Economic Unity" ended its Beirut conference on October 7 by agreeing to make three recommendations to the full Economic Council of the Arab League: 1) that Lebanon, Jordan, Iraq, the U.A.R. and Saudi Arabia meet before the end of the year in an attempt to solve transit trade difficulties; 2) that efforts should be intensified to establish an Arab common market; and 3) that further efforts should be made to eliminate import restrictions existing in the 1953 Arab League agreement on trade exchanges. Subsequently, a transit trade conference between Lebanon, Jordan, Saudi Arabia and the U.A.R. began on November 27 in Damascus and reached tentative agreement on steps to coordinate transit trade between the four nations. The agreements fixed the share of transit goods to be carried by the vehicles of each country, eliminated the imposition of taxes on transit goods, provided for a minimum quantity of such goods to be carried by railway and provided for

UNCLASSIFIED

0023

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

UNCLASSIFIED

Page 6 of
Despatch No. 414
From Beirut

the freedom of transport by trucks of all merchandise destined for or coming from Saudi Arabia and Kuwait. Although Lebanon approved the agreement "in principle" late in December, the new agreement has not yet become operative.

Economic discussions between France and Lebanon began in Beirut on November 12 and ended on November 20, 1959, with the issuance of an official communique providing for an increase in the quotas of Lebanese products to be imported into France. France also agreed to increase immediately its imports of Lebanese citrus fruits and to ease restrictions on the imports of Lebanese apples.

In an attempt to solve nagging trade problems between the Syrian Province of the U.A.R. and Lebanon, the Lebanese Minister of National Economy, Philip TAKLA, and the Minister of Interior, Ali BAZZI, traveled to Damascus on November 24 for a meeting with U.A.R. Vice President Abdul Hakim AMER and other Syrian officials. They were warmly welcomed in Damascus, and a return visit of Syrian officials is expected in the near future. Although no substantive agreements were apparently reached during the Damascus meeting, Lebanese observers hope that continuing contacts between officials of the two governments will result in an early solution of trade and other problems confronting the two nations. Relations between the two countries were in general somewhat better at the end of the year than was the case during the third quarter.

On December 11, the press attache of the Soviet Embassy in Beirut issued a press statement which noted that the Soviet Union had doubled its purchases from Lebanon in 1959 as compared with 1958. In 1959 the Soviet Union's principal purchases included approximately 2,300 tons of apples, 2,200 tons of oranges, 404 tons of tobacco, and 450 tons of raw skins as well as considerable amounts of wool and dried fruits originating largely in other countries but contracted in and exported from Lebanon. The Soviet trade organization has also purchased a substantial portion of the annual production of the principal Lebanese woolen mill. At the end of the quarter talks were going on for the purchase of an additional amount of citrus fruit. Although Lebanese trade with the Soviet Bloc remains rather insignificant and well below the levels provided for in the trade agreements with those countries, indications are that it is likely to increase in the coming years. Lebanon's trade with the United States and other Western nations continues at a very high level, and the popularity of Western and especially American products in Lebanon remains substantial.

III. AGRICULTURE:

Traditionally a net importer of foodstuffs, Lebanon faces one of its most critical current problems in the agricultural sector. Although the new Minister of Agriculture, Fuad NAJJAR (who is himself a trained agronomist), is attacking the problem vigorously, unfavorable weather conditions, some insect damage and the after-effects of the 1958 civil disturbances (reduced plantings) all combine to create complex

UNCLASSIFIED

0024

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

UNCLASSIFIED

Page 7 of
Despatch No. 414
From Beirut

difficulties. Although final figures will not be available for some time, preliminary estimates reveal that the production during the 1959-60 crop year of olives, citrus fruit, bananas, wheat and potatoes will all be substantially lower than that of the 1958-59 crop year. The production of apples and grapes, however, increased in 1959, and the Lebanese Fruit Office has met with considerable success in marketing the increased Lebanese apple crop abroad. According to Fruit Office figures, 8,932 tons of apples were exported during December, bringing the total at year's end to 30,753 tons.

Considerable success has also been made in marketing the citrus crop abroad, and with the December exports of 13,083 tons, the grand total of citrus fruit exported abroad as of the end of the year is 21,027 tons. Syria, Jordan and Iraq remain Lebanon's best customers for its apple and citrus fruit crops, although the Soviet Union has also reaped considerable publicity benefits from its recent purchases of both apples and oranges (see Section II). The price of the top quality Lebanese apple has held up well in foreign markets despite some unfavorable publicity in November concerning a small shipment to the United Kingdom which was withdrawn from the market because of contamination by arsenic spray. The Fruit Office took immediate steps to preclude any further incidents of this kind, and most Lebanese fruit exporters appear to be relatively happy with their sales abroad.

The most serious agricultural problem has been the acute shortage of cereals. Two successive drought years have crippled Lebanese production, and the effects of the same drought have eliminated the Syrian supply, normally Lebanon's principal source of wheat. Discouraged farmers this year planted a considerably smaller acreage in cereals, which will contribute further to the scarcity of both wheat and other cereals. As a result, the depressed situation in some rural areas in Lebanon is becoming even more serious, and a growing shortage of both human and livestock feed grains is becoming more and more apparent.

IV. INDUSTRY:

Despite a continuing unwillingness on the part of many banks and private investors to invest available capital in long-term projects, the over-all industrial situation in Lebanon seems to have improved somewhat during the reporting period. Of the impressive number of new incorporations during the fourth quarter, a significant portion was for industrial firms. A total of nine new manufacturing concerns were incorporated during the period with a total capitalization of L.L. 8.6 million. Two engineering firms with a capitalization of over L.L. 1 million, three mining corporations capitalized at L.L. 3 million and one printing company with a capitalization of L.L. 250,000 were also incorporated during the fourth quarter.

The raising of import duties on imported textiles in late September has caused local textile manufacturers to flourish, and the Asseily textile mill, Lebanon's

UNCLASSIFIED

0025

DECLASSIFIED
Authority NND 949569
By ☒ NARA Date 7/23/04

UNCLASSIFIED

Page 8 of
Despatch No. 414
From Beirut

largest, is still operating 24 hours a day. A new citrus fruit packing plant in Sidon has just been completed, and another is nearing completion in Tripoli. Negotiations are continuing between Lebanese textile manufacturers and the Overseas Service Corporation of Washington, D.C., for the purchase of substantial amounts of Lebanese textiles.

Cement production has held at a high level with 77,101 tons being produced in October and 72,112 tons in November. Figures are not yet available for December, but they are expected to remain high, reflecting the continuing building boom.

V. CONSTRUCTION AND RENTS:

The continuing construction boom in Beirut remains as one of the question marks in the Lebanese economy. New buildings, particularly apartment buildings, are going up all over the city, especially in the Ras Beirut area. At the same time, rents remain high, and estimates of empty apartments in Beirut run from 2,000 to 7,000. A total of 293 building permits were issued during the third quarter for a total of 1,216 new units encompassing a total floor area of 171,415 square meters. The number of building permits issued in Beirut dropped to 59 in October but jumped again to 115 in November, making it likely that the fourth quarter totals, when available, will show that new construction shows few signs of diminishing.

As has been the case previously, much of the new construction is purely speculative, with wealthy Kuwaitis and Saudi Arabians purchasing newly completed apartment buildings even before any tenants have signed leases. Industrial construction continues to lag behind that of apartment buildings, due largely to a continuing unwillingness to invest development capital and some uncertainty concerning the over-all industrial situation. It is difficult to determine how long the construction boom will last or how long rents can maintain their present levels in the face of a growing number of empty apartments. However, many observers believe that the situation will continue as long as the inflow of capital from other Arab states continues. To cite only one example, Beirut newspapers on December 17 reported that the deputy ruler of Kuwait, Sheikh Abdullah MUBARAK, purchased three buildings in Lebanon early in December for a reputed total price of L.L. 7 million. He purchased at one time the 100-room Ambassador Hotel in Bhandoun, a prominent summer resort center some 15 miles east of Beirut, a large office building on one of the principal business thoroughfares in Beirut, and a third apartment building still under construction near the sea. Although no exact figures are available concerning the amount of foreign capital which has poured into Lebanese real estate, it is known that such purchases are increasing and that foreign nationals now own substantial amounts of such property.

VI. TOURISM:

The Lebanese Director of Tourism has announced that tourist revenues accruing to Lebanon during 1959 reached a total of approximately L.L. 84 million (\$27 million).

UNCLASSIFIED

0026

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

UNCLASSIFIED

Page 9 of
Despatch No. 414
From Beirut

This amount compares with approximately L.L. 100 million (\$32 million) in 1957, the last normal year, and indicates that the tourist season in 1959 was somewhat less satisfactory than earlier optimistic predictions by Government officials, although not as poor as the predictions of many hotel owners. Great emphasis is being placed on tourism by the Government of Lebanon, and the Director of Tourism hopes to increase substantially the tourist revenues in 1960 by increasing the publicity abroad concerning Lebanon's many tourist attractions.

On December 17, the new L.L. 3 million Casino de Liban opened its doors for the first time to some 5,000 guests invited for a private gala opening. The spacious new Casino, boasting luxurious restaurants, night clubs and gambling facilities, is located on a beautiful coastal site, and it is hoped that it will attract increasingly larger numbers of foreign tourists. For the opening night, a floor show from the Moulin Rouge in Paris was imported especially for the occasion. Subsequent attendance has dropped off somewhat, however, and a steady flow of tourists will be necessary to make the high-overhead Casino a paying proposition.

VII. DOMESTIC BUSINESS:

General business conditions throughout the fourth quarter were generally good, and retail sales in Beirut during the Christmas holiday season were reported by many merchants to have reached the highest level in several years. Commercial confidence seems to have been almost completely restored.

New incorporations have climbed at an incredible rate, with more incorporations in the fourth quarter of 1959 alone than in all of 1957. While there were ten new incorporations in each of the first and second quarters of 1959, followed by only six during the third quarter, a total of 47 new incorporations were reported during the fourth quarter with a total capitalization of approximately L.L. 109 million (under Lebanese law 25 percent of the capital must be paid in at the start). In all of 1957 only 42 new incorporations occurred. While a majority of the new firms are trading establishments, there were also incorporated in the fourth quarter nine manufacturing firms, seven real estate corporations, six banks, two engineering firms, a steamship company, three mining companies and four agricultural organizations. A comparison of the total 1957 and 1959 incorporations shows that while in 1957 42 corporations were chartered with a capital of L.L. 45.9 million, 73 incorporations were reported in 1959 with a total of L.L. 150.4 million.

Customs receipts in October reached an all-time high of L.L. 9,150,000, dropping slightly in November to L.L. 8,410,000 and climbing back in December to a new all-time high of L.L. 9,485,000. Beirut's business districts are humming with activity, and most merchants readily admit that business conditions are continuing to improve.

UNCLASSIFIED

0027

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

UNCLASSIFIED

Page 10 of
Despatch No. 414
From Beirut

VIII. TRANSPORTATION AND COMMUNICATIONS:

A. Aviation:

The inauguration on October 11, 1959, of Pan American's regularly scheduled weekly jet service into Beirut marked another step in Beirut's emergence as a major international air terminal. Although aircraft passenger movement figures are not available beyond the second quarter of 1959, personal observations and reports from various airline officials indicate that air traffic through Beirut, both passenger and freight, has continued to increase. A major remodeling and enlargement of the airport terminal is now almost completed, while technical improvements continue to be made.

A working party of the Arab League Aviation Committee met in Beirut from October 4 through October 17 and ended its sessions by recommending the creation of an all-Arab airline company with a capital of 17 million pounds sterling (approximately \$47.6 million). The recommendations of the Aviation Working Party are to be presented to the next meeting of the Arab League Economic Council. The proposed Arab airline would begin its operations with three long-range jet aircraft and three medium-range jets, with the shares in the new company to be sold exclusively to Arab governments. Another recommendation was that the Arab states should issue no more licenses for the creation of new airline companies. Despite the recommendations made during the course of this meeting, however, many hurdles remain to be overcome before the new airline becomes a reality. Since the determination of each country's share in the company is to be based partly on the nation's "technical possibilities" and the "importance of its emigrants abroad", a key difficulty may well be to arrive at an agreement between the Arab states on each nation's relative "importance."

Two successful civil air agreements were negotiated during the fourth quarter of 1959, while a third negotiation ended in a deadlock. Lebanon and the Federal Republic of Germany successfully completed negotiations for a civil air agreement late in October which provided for the continuation of five authorized flights per week between Lebanon and West Germany. The agreement also authorizes Lufthansa traffic rights Beirut-Vienna, and permits Lufthansa to maintain its traffic rights on three schedules a week Beirut-Tehran. In return, the Federal Republic of Germany authorized Middle East Airlines traffic rights Frankfurt-London. A new French-Lebanese air agreement was signed in Beirut on October 30 which increases the number of flights between Paris and Beirut from two to four per week for Lebanese airlines, and permits Air France to make four weekly flights between the two cities. Civil aviation negotiations between Lebanon and Italy broke down after week-long discussions early in December, but further negotiations are expected in January of 1960. The main disagreements were the Italian desire to increase the number of their flights transiting Beirut to the east, and the Lebanese proposal to increase their schedules through Rome and Milan to Paris and London.

UNCLASSIFIED

0028

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

UNCLASSIFIED

Page 11 of
Despatch No. 414
From Beirut

Beirut newspapers reported on November 6 that the new Czechoslovak Minister to Lebanon, following his presentation of credentials to President Fuad CHEHAB, announced to the press that he failed to understand why there should be any delay in the signing of a civil air agreement between Lebanon and Czechoslovakia. He also expressed the hope that such an agreement would be signed in the immediate future. Although no action has been taken to initiate such negotiations, some Beirut newspapers have predicted that such an agreement will be forthcoming in the near future.

B. Land and Sea Transport:

Highway truck transport continued to dominate the land transportation field in Lebanon, while the rail net, composed now of the Government-owned Damag, Hama et Prolongements (DHP) and the Nakoura-Beirut-Tripoli (NBT) Railways, continued to run at a substantial deficit. The Lebanese Government announced on November 7 the organization of a six-man committee to study the over-all financial, technical and administrative situation facing the Lebanese railways and to recommend steps to improve the railway system. Most observers predict that a complete overhaul of equipment and management will probably be necessary before the railways can be placed on a paying basis. In the meantime, most goods continue to move via truck, both within Lebanon and into the neighboring Arab states.

The Council of Ministers announced on December 30 that a decision had been taken to ban the further use in Lebanon of diesel-powered vehicles. There are some 2,700 such vehicles now operating in Lebanon, the overwhelming majority of which are of Mercedes-Benz manufacture. The owners have been given reasonable periods either to change the engines of the vehicles to gasoline or to make some other disposition of them. However, after January 1, 1962, no diesel powered vehicles will be allowed to operate in Lebanon. One of the effects of this move may be to give a boost to lagging sales of U.S. manufactured vehicles.

IX. PETROLEUM AFFAIRS:

Despite the fact that Lebanon produces no oil itself (although the West German firm Elwerath is continuing its exploratory operations in Southern Lebanon on behalf of the Compagnie Libanaise des Petroles), it continues to profit from its favorable geographical location as a terminal for the pipe lines of two major oil companies, with two Iraq Petroleum Company (IPC) lines terminating in Tripoli and the Trans-Arabian Pipeline Company (Tapline) terminating its line near Sidon in South Lebanon. While IPC throughput through the third quarter remained fairly steady, although somewhat under its capacity of 165,000 barrels per day (B/D), Tapline has been more seriously affected by stiff competition from tankers. As a result, its 1959 throughput averaged 337,985 B/D, which compares with its proved capacity of 450,000 B/D. The downward trend becomes even more apparent when this figure is compared with the 1958 throughput which averaged approximately 368,000 B/D, and with the projected 1960

UNCLASSIFIED

0029

DECLASSIFIED
Authority NNP 949569
By PT NARA Date 7/23/04

UNCLASSIFIED

Page 12 of
Despatch No. 414
From Beirut

forecast of approximately 282,000 B/D. The opening of the Homs refinery in the Syrian Province of the U.A.R. and the resultant loss of the Syrian market has not hurt the Mediterranean Refining Company (Medreco) refinery in Sidon as much as was first expected, and its production and sales have remained fairly steady throughout the fourth quarter. However, the IPC refinery at Tripoli has felt the pinch much more acutely, and its output is now averaging about one-fourth of full capacity with one of its two distillation units shut down completely.

In November, the IPC began work on the construction of a new 30-inch pipe line from the Lebanese-Syrian frontier to Tripoli, a distance of approximately 30 kilometers. The new underground pipe line is to run parallel to the existing 16 and 12-inch lines, and it is expected that the Company will probably increase throughput by some three million tons per year. Work is expected to be completed by the middle of 1960, and it is understood that the new throughput will increase the over-all efficiency of IPC's pipe line operations by permitting the Company to make greater use of the 34 storage tanks and four gravity-fed loading berths.

While discussions continue in Lebanese Government circles as to the best use for the approximate L.L. \$1.5 million retroactive royalty payment from IPC resulting from the June 1959 agreement between the Company and the Government, speculation continues in the Lebanese press concerning the forthcoming negotiations between the Government and Tapline on a new agreement. Since Tapline must also negotiate agreements with the other affected Arab states, it is not yet known when the Lebanese negotiations will begin. Most of the IPC lump-sum payment has reportedly been earmarked by the Government for public works development projects.

X. LABOR:

During the reporting period, there were no major labor difficulties involving U.S. firms in Lebanon. Protracted negotiations between the Esso Company and the Esso Employees and Workers Union are continuing, with the Union pressing for a reduction in the work week from 48 to 45 hours, a reduction in working hours for watchmen, a job reclassification for airport employees, and a company-financed retirement and health insurance plan. Both labor and management have hailed the enlightened and friendly attitudes which have thus far prevailed on both sides of the bargaining table.

The IPC had a somewhat more difficult time when, on November 24, some 150-odd former employees of IPC who had been dismissed following the Suez crisis of 1956 again went on a hunger strike and moved physically into the headquarters of Beirut's Jami'at labor federation. The hunger strike continued until December 14, when it became clear that several key trade union officers in the Jami'at and other labor unions were somewhat less than sympathetic with the case of the former IPC workers. IPC paid additional indemnities to the workers discharged after the Suez crisis and

UNCLASSIFIED

0030

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

UNCLASSIFIED

Page 13 of
Despatch No. 414
From Beirut

has taken the position that its responsibility to them has therefore ended. Late in December, pressure on IPC lessened considerably and shifted instead to the Lebanese Government, to which several petitions were addressed by the former IPC workers. Finally, the Ministry of Labor and Social Affairs intervened and obtained temporary jobs for most of the workers on the new IPC pipe line project. (See Section IX.)

The ICA-sponsored labor leaders team from Lebanon returned from their visit to the United States on October 14. Reports from Lebanese trade union sources indicate that this was the most successful of all such labor groups yet sent to the United States from Lebanon. Considerable favorable publicity has resulted from the trade unionists' visit.

The election on December 28 of officers for the ICFTU-affiliated Jami'at labor federation touched off a wave of campaigning for office by one group headed by Jami'at President Hussein Ali HUSSEIN, and by another faction led by federation Inspector-General Adib NOUJAIM. The Hussein group won easily, however, thus bringing Hussein back for another one year term as president of the federation.

While forthcoming negotiations during the first quarter of 1960 may disturb relations between the unions and certain U.S. firms, the trade union movement in Lebanon, although still beset by numerous organizing problems and other difficulties, seems to be growing in strength, bargaining power and maturity.

XI. ECONOMIC DEVELOPMENT AND FOREIGN AID:

Illustrating the Lebanese Government's drive toward more rapid economic development was the confirmation in December that the Government had contracted with the French firm "Le Centre International de Formation et de Recherche en vue du Developpement Harmonise" (IRFED) to make a comprehensive survey of Lebanon's development needs and to formulate detailed plans for attacking the problem. The French survey, directed by Reverend Father LEBRET, is scheduled to be completed by September of 1960 and may well result in some sort of "five-year plan" which will be more workable and realistic than the ill-fated and uncoordinated five-year plan announced in early 1958 but never approved. A group of French technicians have already arrived in Beirut and, with the assistance of officials of the Lebanese Ministry of Planning, are beginning their initial survey. The Lebanese Government is reportedly giving its full support to the project and has placed a number of Lebanese officials at IRFED's disposal. Most officials are hopeful that a really comprehensive development program will result from the French-Lebanese survey.

The proposal to create an Arab development bank ran into heavy fire in the Lebanese Chamber of Deputies early in December when the Committee on Foreign Affairs adopted a resolution requesting that the Arab bank proposal be modified by requiring that 1) the headquarters of the bank be established in Beirut, 2) that each nation

UNCLASSIFIED

0031

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

UNCLASSIFIED

Page 14 of
Despatch No. 414
From Beirut

have equal voting rights, 3) that the capital of the bank not be limited to any particular amount, and 4) that the bank not make individual loans to institutions unless at least one-third of the shares of the institution applying are government owned. Lebanese Foreign Minister Hussein OUEINI, representing the Government, took exception to these amendments and stated that no amendments should be made to the proposal until after the various governments had ratified it. No further developments have occurred as of the end of the reporting period, but it appears likely that should a showdown occur, Prime Minister KARAME's Government would be able to muster a majority vote in favor of the development bank proposal.

The General Assembly of the Banque de Credit Agricole, Industriel et Foncier (BCAIF) approved late in December the acceptance of the DLF loan for \$5 million as finally amended and delegated all authority for future negotiations to the bank's Board of Directors. The amended text now goes to the Lebanese Council of Ministers which must approve it before final signing. Early approval is expected and BCAIF Director YAFFI expects to proceed to Washington late in January for the final signing formalities.

In response to an obviously urgent need for top level management training in Lebanon, long a nagging problem here, USOM/L agreed to finance the first Executive Development Program and thereby provide a start towards such managerial training. The opening session was held on October 7 by a team of four consultants from the European Productivity Agency (EPA) of the Organization for European Economic Cooperation (OEEC). Comprising three American business experts and one Norwegian, the team built the lecture series around the general areas of marketing and advertising, production management, personnel and human relations and finance and accounting. The response from Lebanese commercial and industrial firms was excellent. Two hundred and fifty paid applications were received from a virtual cross section of Lebanese industry and commerce, but physical limitations held the total of participants to 87 Lebanese executives for the first course. Despite considerable behind the scenes assistance, USOM remained well in the background, and the public joint sponsors of the program were the Chamber of Commerce and Industry, the Association of Lebanese Industrialists, the Business Administration Department of the American University of Beirut and the Industry Institute. The program culminated in a banquet and awarding of certificates on December 4 and virtually all of the participants hailed the program as of considerable benefit. Although only a first step, it seems certain that an impetus has been given to Lebanese business to utilize some of the techniques which have been found useful in the West in solving the intricate problems facing modern business enterprises.

As part of the \$3.6 million of prior years' U.S. assistance which was reprogrammed last year, USOM/L presented to the Commandant of the Lebanese Gendarmerie on October 16 ten heavy-duty jeeps which are to be used largely for patrolling in rural

UNCLASSIFIED

0032

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

UNCLASSIFIED

Page 15 of
Despatch No. 414
From Beirut

areas. Twenty-five unmarked sedans were also presented recently to the Lebanese Surete and police authorities for use in criminal investigation and related work.

Throughout the fourth quarter, work continued on the various public works projects designed to raise the over-all level of the economy and provide work for the unemployed. Many of these projects are being financed from the proceeds of the P.L. 480, Title II, wheat which was sold in Lebanon during late 1958 and early 1959. Progress is continuing in construction of the sewerage system in Tripoli, improvement of the aeronautical facilities at Beirut's International Airport, and construction of the power transmission project in the Akkar plain of North Lebanon. In addition, contracts have now been let for the \$1.5 million village water supply program. The Industry Institute has also continued its efforts to aid new industries in Lebanon and is generally acknowledged to be gaining more and more acceptance, not only among Lebanese industrialists, but also among those in neighboring Arab states as well. With the DLF rejection of a loan application from a Lebanese jute mill and the withdrawal of another application by a local marble plant, there now remain only two pending DLF loan applications, one from a Lebanese ceramic plant in the amount of \$115,000 and the other from an aluminum extrusion company for \$500,000.

XII. GOVERNMENT POLICY:

On October 7, President Fuad Chehab accepted the resignation of Minister of Interior Raymond EDDE and immediately appointed an eight-man Cabinet, retaining the three other members of the former four-man Cabinet. The new Cabinet, also headed by Prime Minister Rashid Karame, was generally welcomed in the Lebanese press as being composed of men who were professionally competent to handle the departments to which they had been assigned.

Late in October, Minister of Public Works Pierre GEMAYEL threw his full weight behind a proposal by former Minister of Finance Joseph CHADER, now Chairman of the Parliamentary Committee on Finance, to abolish both personal and corporate income taxes in Lebanon. The proposal received considerable attention in the press throughout the reporting period and in part reflects a strong desire on the part of many top Lebanese officials to encourage increased foreign investment in Lebanon. According to Messrs. Chader and Gemayel, as well as other proponents of the abolition, such a move would attract a tremendous inflow of foreign investment and eliminate what has become wholesale evasion of the existing income tax law. In November, however, considerable opposition to this proposal began to develop, and at the end of the reporting period it appeared that such opposition on the part of certain key Government officials had effectively blocked any such abolition. Nevertheless, the Government continues to welcome warmly foreign investment in Lebanon and points with pride to existing legislation which provides exemptions from income tax for certain new companies operating in Lebanon with a capital in excess of L.L. 1 million. Such exemptions, under the law, must be approved in each instance by the Lebanese

UNCLASSIFIED

0033

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

UNCLASSIFIED

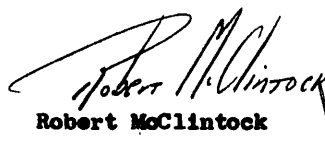
Page 16 of
Despatch No. 414
From Beirut

Government. Although there is not at present an Investment Guaranty Agreement in effect with Lebanon, the investment climate is nevertheless good, due to the stated Lebanese policy of non-expropriation, free trade, free currency convertibility and a minimum of Government interference in private enterprise.

The Government has in general indicated considerable optimism during the latter part of the year concerning the over-all economic situation. Many local businessmen in Beirut confirm that the economic situation is sound, and that one reason for increasing commercial confidence is the generally acknowledged honesty and ability of the members of the new Cabinet of Prime Minister Karame, most of whom appear to enjoy a relatively high degree of popularity and trust among the Lebanese business and industrial community. On November 22 Lebanon celebrated its sixteenth independence anniversary and heard President Chehab praise the young nation for healing most of the wounds caused by the 1958 revolution and for the rapid recovery of the Lebanese economy. On December 16, a long awaited reshuffle in the top ranks of Lebanese Government personnel became a reality with the announcement of the wholesale transfer of the directors-general in the major ministries and departments.

Also in December, the Council of Ministers decided "in principle" to establish an international trade fair at Tripoli, rather than in Beirut, as had been expected. This decision, which came as a surprise to most observers, will necessitate a postponement until at least 1962 of any such fair because of the additional work which will be required to construct the necessary buildings and hotels in Tripoli.

The Government of Lebanon has continued its policy of cooperating closely with the Arab League "Boycott of Israel" and during the reporting period has boycotted some American ships and companies for dealings with Israel.


Robert McClintock

Enclosure:

Lebanon - Economic Indicators

cc: AmEmbassies AMMAN, ANKARA, BAGHDAD, CAIRO, JIDDA, LONDON, PARIS, TEL AVIV, TRIPOLI; AmConsGen ALEPPO, DAMASCUS, DHAHRAN; AmConsulates ADEN, KUWAIT.

UNCLASSIFIED

0034

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

No. 1 to
 No. 414
 Beirut

UNCLASSIFIED

LEBANON - ECONOMIC INDICATORS

Second, Third and Fourth Quarters 1959

Indicator	Unit	1 9 5 9		
		2nd Quarter	3rd Quarter	4th Quarter
Customs receipts	Mil. L.L.	22.0	22.0	27.0
Currency issue	"	394.0	397.0	400.0
Demand deposits	"	661.0	742.0	-
Time deposits	"	67.0	72.0	-
Loans and discounts	"	652.0	692.0	-
Bank clearings *	"	431.0	531.0	357.0 (Nov.)
Foreign exchange holdings	"	168	174	-
Cost of living index *	1939=100	510	505	511 (Nov.)
Wholesale price index *	1950=100	105.6	104.6	105.7 (Nov.)
Cement production *	Metric tons	179,615	189,936	149,213 (Nov.)
Building permits *	No. of permits	264	293	174 (Nov.)
Beirut Port Movement				
Freight unloaded	Metric tons	328,351	348,118	355,626
Freight loaded	" "	72,297	79,130	92,119
Total transit trade movement	" "	87,804	90,741	97,429
Aircraft passenger movement				
Arrivals *	Number	62,835	29,866 (July)	-
Departures *	"	55,119	21,911 (July)	-
New vehicle registration				
Passenger cars	"	1,560	1,376	1,211
Trucks	"	117	137	117
Buses	"	33	32	38

*As end of period or month indicated in parentheses.

0035

DECLASSIFIED
 Authority NND 949569
 By PT NARA Date 7/23/04

AIR POUCH
PRIORITY

CONFIDENTIAL

(Security Classification)

FOREIGN SERVICE DESPATCH

DO NOT TYPE IN THIS SPACE

883A.00/1-2160

FROM : AmEmbassy BEIRUT

425
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

January 21, 1960

DATE

JAN 23 1959

REF : CERP Section C, Item 1; EmbDesp 404, January 14, 1960

15 For Dept. Use Only	ACTION	DEPT.	MC-1	CEA-1	M-1	PER-2	L-2	ORM-5	PPT-2
	COM-12	REP-1	IRC-15	ICA-11	E-7	NEA-4	M-1	EUR-5	AF-5
	REC'D	OTHER	OCB-2	TR-3	FRB-2	XMB-4	IN-7	LAB-6	TAA-2
	1/25	O	USIA-10	OSD-2	ARMY-35	NAVY-20	AIR-30	CIA-18	

SUBJECT: Weekly Economic Review No 3 - Lebanon - Week Ending January 21, 1960 AG-8

FAA-5

Contents

- I. UNCLASSIFIED - Highlights
- II. LIMITED OFFICIAL USE - Industry-Labor: Mobil Oil Employees Union Votes Strike on January 23 (See W.E.R. 2)
- III. UNCLASSIFIED - Government Policy: Aviation Fuel Distributors Experiencing Difficulty in Obtaining Approval for Airport Tank Farm
- IV. UNCLASSIFIED - Government Policy: Pharmaceutical Invoices Forged
- V. UNCLASSIFIED - Industry: U.S. Cotton Purchase Plan Hits Snag
- VI. OFFICIAL USE ONLY - Foreign Trade and Economic Relations: Soviets May Purchase More Lebanese Woolen Cloth
- VII. UNCLASSIFIED - Tourism: Ministerial Committee to Organize Congres des Emigres (See W.E.R. 35)
- VIII. UNCLASSIFIED - Labor: LEPCO Wage Dispute Ends (See W.E.R. 2)
- IX. UNCLASSIFIED - Petroleum: Middle East Oil Industry Exhibition Opens in Beirut
- X. UNCLASSIFIED - Aviation: (a) Lebanese-Iranian Civil Air Difficulties Unresolved (See W.E.R. 2); (b) Lebanese-Italian Civil Air Agreement (See W.E.R. 2); (c) Lebanese-Iraqi Air Talks Reach Crisis State; (d) Air Liban Inaugurates Beirut-Tripoli (Libya) Flight

I. UNCLASSIFIED - Highlights

With the press giving headline treatment to the two major political developments of the week, the proposed diversion of the Hasbani River to the Litani River and the

RPSmith:all		CONFIDENTIAL	
REPORTER		ACTION TAKEN	
ASSIGNED TO		DATE OF ACTION	
NAME OF OFFICER & OFFICE SYMBOL		DIRECTIONS TO GWR	

ACTION COPY - DEPARTMENT OF STATE

The action office must return this permanent record copy to RM/R files with endorsement of action taken.

883A.00/1-2160

CLASSIFIED FILE

DECLASSIFIED

Authority NND 949569

By PT NARA Date 7/23/04

0036

CONFIDENTIAL

Page 2 of
Despatch No. 425
From Beirut

current squabble over the proposed increase in the number of deputies in Parliament, the economic scene appears relatively quiet, at least on the surface. However, a severe storm appears to be brewing in the labor field, with an American oil company apparently in line for some serious labor difficulties (see Section II). An air of optimism continues in commercial circles, with most merchants reporting business conditions as good.

II. LIMITED OFFICIAL USE - Industry-Labor: Mobil Oil Employees Union Votes Strike on January 23 (See W.E.R. 2)

Following the rejection by Mobil Oil of Lebanon, Inc., of the union's demand for a six percent cost of living increase "to relieve the monotony of employment," an overwhelming majority of the Mobil Oil Employees Union membership voted to strike on January 23. Union President George SACRE, in the union demand, had challenged the efficacy of the company's cost of living index on the ground that the amusement item, which had been included in the index since its inception in 1939, had never been weighted. According to union calculations, a six percent increase at this time would make up past losses due to the lack of weighting this item. Since this item had never been weighted and since the union has never complained in the past, the company has categorically refused to negotiate on six percent or any part thereof. The company, in a meeting with the union board, pointed out that it is operating under a price limitation fixed by the Government of Lebanon and that the annual three percent wage increase given the white collar workers, plus a 1.45 percent hike resulting from the increase in the cost of living index would have the effect of straining severely the company's resources. If six percent were added to the foregoing, the company would find itself in dire straits, and it has so informed the union.

On January 20 company president BALLARD informed Lebanese Minister of Labor ZOUEIN of the situation and reports that he was severely admonished for upsetting the Lebanese wage scales by the high wages the company was presently paying. With the possible exception of Shell, the wages paid Mobil employees are considered to be the highest in the industry, and the present 36 hour work week is most certainly the shortest.

The Embassy is informed that the blue collar Mobil Oil Workers Union has submitted requests for wage increases ranging from 30 to 60 piasters per hour and a three percent automatic annual increment such as that won by the white collar workers in 1956, to be applied to those workers who have reached the top grade in their respective wage classifications.

CONFIDENTIAL - Comment: The Embassy has been informed that should the strike of the white collar workers materialize, the blue collar workers, who perform the distribution services, including those at the airport, will go on strike on or about January 25.

CONFIDENTIAL

0037

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

CONFIDENTIAL

Page 3 of
Despatch No. 425
From Beirut

The Embassy fears that should the strike ensue and should the facts not be made known to the government and public, the emotional and venal press might inject anti-American overtones into the issue.

III. UNCLASSIFIED - Government Policy: Aviation Fuel Distributors Experiencing Difficulty in Obtaining Approval for Airport Tank Farm

The five oil distributing companies servicing and refueling aircraft at the Beirut International Airport (Esso, Caltex, Compagnie des Francais de Petrole, Shell and Mobil) are experiencing difficulty in obtaining approval for their jet fuel tank farm. Under a directive from the Lebanese Director of Civil Aviation (DCA), the five companies are to construct on a joint venture basis a tank farm consisting of 15 tanks at a location which has been approved by the DCA and the companies.

A spokesman for the companies has now advised the Embassy, however, that the Department of Civil Defense will not approve the location authorized by the DCA (which is approximately 1,000 yards from the airport), and states that the companies must either bury the tanks underground and cover them with four layers of reinforced cement one meter thick, with each layer being separated by a meter of sand, or find another location at least 2,000 meters from the airport. The companies claim that the Civil Defense directive is unnecessarily cautious and uneconomic and are unanimous in their view that if the Civil Defense directive prevails, they will refuse to invest in the new tank farm. The alternatives would be to continue to service jet planes in the same manner in which they are now doing, which is performed by tank truck and is therefore slow and hazardous, or pull out of aircraft servicing completely.

CONFIDENTIAL - Comment: According to a spokesman representing all of the companies, Minister of Public Works Pierre GEMAYEL and the DCA have asked that an "expert" be called in from Europe to give his recommendation in the matter. The DCA and the Minister of Public Works, who have approved the companies' plan, appear to be well aware of the fact that if jet refueling is to be conducted in the same manner in the future, when the frequency of jet traffic will undoubtedly increase, there may well be a diversion of jets from Beirut.

The Embassy has been informed in confidence by an oil company spokesman that the real reason for the disapproval by the Civil Defense authorities centers around one individual who is in a position to approve or disapprove, and who has made a direct approach to a company spokesman for L.L. 200,000 as the price of his approval.

Should the "expert" approve the plan of the DCA and the Ministry of Public Works, it is a matter of speculation as to whether or not, so armed, they will be able to overcome the desire for baksheesh on the part of the ^{unspecified} individual in the Ministry of Civil Defense. In the event that no agreement is reached, it is conceivable

0038

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

CONFIDENTIAL

Page 4 of
Despatch No. 425
From Beirut

that the matter may be brought to a higher Governmental level by the companies or that they will simply refuse to construct the new facility.

IV. UNCLASSIFIED - Government Policy: Pharmaceutical Invoices Forged

In a press conference held on January 18, Deputy Elia ABOU-JAWDE criticized the Government for not taking effective action against importers guilty of falsifying pharmaceutical invoices. This continued abuse, he charged, is responsible for the current high price of medicines in Lebanon and for profits ranging from 50 percent to 500 percent for the wrongdoers. Minister of Health Pierre Gemayel obliquely admitted the accusation by praising the "big importers" for reporting irregularities and by pleading for "secret effective inspection." On the following day the Syrian Customs Department in Damascus announced confiscation of a large shipment of antibiotics which were to be smuggled into Lebanon.

OFFICIAL USE ONLY - Comment: Since the establishment on April 8, 1959 of price controls over most pharmaceutical imports (see W.E.R. No. 10, March 7, 1959 and No. 15, April 17, 1959), Government inspectors have detected serious irregularities consisting of price label forging by importers prior to distribution to retailers. The 1959 price control decree made the importers responsible for setting the retail price of each pharmaceutical item according to the terms of a pricing formula which allows a profit margin of 44 percent for retailers and 25.5 percent for importers. Current abuses are a natural consequence of this psychological flaw in the 1959 decree and will probably continue until and unless the Government takes severe steps against the invoice forgers. In the meantime there appears to be some smuggling of pharmaceuticals, especially antibiotics (the price of penicillin and streptomycin is not controlled), into Lebanon. It is interesting to note that U.S. pharmaceuticals sell well in Lebanon in spite of prices occasionally higher than those of comparable European products.

V. UNCLASSIFIED - Industry: U.S. Cotton Purchase Plan Hits Snag

Attempts by the Arida Textile Mills of Tripoli, who are negotiating on behalf of themselves, Asseily and the Jabre mills, to purchase U.S. cotton have come to a temporary standstill due to difficult credit conditions. In spite of the availability of Syrian cotton at a lower price and the higher shipping charges and costs involved in a U.S. purchase, Arida has been anxious to buy 3,000 metric tons of U.S. strict middling cotton on the usual three-year Commodity Credit Corporation terms through Anderson Clayton and Company. Even at this higher price the Lebanese mills would prefer the U.S. cotton because of its cleanliness and uniformity of grade and quality. Information just received by Arida from Anderson Clayton reveals that the CCC export sales program requires a credit guaranty by an American bank. Such a guaranty would cost two percent, which, when added to the already higher price of U.S. cotton, will probably influence Arida in favor of Syrian cotton.

CONFIDENTIAL

0039

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

CONFIDENTIAL

Page 5 of
Despatch No. 425
From Beirut

OFFICIAL USE ONLY - Comment: Arida is the second largest textile manufacturer in Lebanon and along with Asseily and Jabre enjoys a good reputation. Arida operates with U.S. equipment and has earmarked the profits accruing from its projected U.S. cotton purchase for the acquisition of new American machinery to replace spinning and weaving units long in operation. The Embassy is maintaining daily contact with Mr. Anwar ARIDA, one of the officers of the Arida Mills, in an attempt to find a solution for the problem of the credit guaranty (possibly through a plant mortgage taken by a Lebanese bank and offered to an American bank as collateral). The difficulties involved in the project highlight the credit factor as possibly the most serious impediment to the promotion of U.S. exports in Lebanon and to the disposal of U.S. surplus agriculture commodities.

VI. OFFICIAL USE ONLY - Foreign Trade and Economic Relations: Soviets May Purchase More Lebanese Woolen Cloth

The manager of La Lainiere Nationale, Lebanon's largest woolen mill, has informed Embassy officers that press reports stating that Soviet Union representatives have signed a contract under which his company would furnish 1.5 million meters of woolen cloth per year to the Soviet Union are erroneous. He confirmed that although he is currently engaged in negotiations for a sizeable order from the Soviet Union, the Soviets thus far have only purchased some 100,000 meters (30 metric tons) of such cloth.

LIMITED OFFICIAL USE - Comment: The manager, Mr. George KHATTAR, has recently returned from the United States, where he purchased additional weaving equipment. Should the Soviet Union agree to buy additional substantial amounts of his production, Mr. Khattar reports that further purchases of U.S. equipment will be necessary. (He apparently enjoys using the profits from Soviet sales to purchase such equipment from the U.S., despite Soviet offers of lower prices and better credit terms.)

Lebanese Government officials and businessmen have learned the hard way not to trust completely in Soviet assurances of future purchases. Soviet purchases of Lebanese citrus fruit, for example, have consistently failed to reach the amounts called for in trade agreements between the Bloc countries and Lebanon.

VII. UNCLASSIFIED - Tourism: Ministerial Committee to Organize Congres des Emigres (See W.E.R. 35)

A committee composed of Minister of Foreign Affairs Hussein OUEINI, Minister of National Economy Philippe TAKLA and Minister of Public Works Pierre Gemayel has been designated to organize a Congres des Emigres scheduled for July of 1960 to bring together Lebanese emigrants from all over the world for a general convention in Beirut. The committee is scheduled to complete its report within a month.

CONFIDENTIAL

0040

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

CONFIDENTIAL

Page 6 of
Despatch No. 425
From Beirut

Originally proposed by Pierre Gemayel, the convention is expected not only to bring in a considerable amount of tourist revenue to Lebanon, but also to set up a permanent "Lebanese Agency" (somewhat along the lines of the Jewish Agency in Israel) which would reinforce the ties between Lebanon and its emigrants abroad and between the emigrants themselves.

OFFICIAL USE ONLY - Comment: The move probably stems from requests made last summer for more Government assistance from leaders of the 1959 convention of the National Association of Federations of Syrian-Lebanese American Clubs. This group asked at that time for more Lebanese Government participation and assistance in organizing its overseas conventions, and because of the tremendous benefits accruing to Lebanon from the remittances and expenditures of these emigrants, the Government is more than willing to provide as much assistance as possible.

VIII. UNCLASSIFIED - Labor: LEPCO Wage Dispute Ends (See W.E.R. 2)

Negotiating under the threat of a strike by the LEPCO Employees and Workers' Union, the Lebanese Petroleum Company (LEPCO), Lebanese-owned marketer of Caltex petroleum products, has granted the union's demand for a general wage reclassification. Under the terms of the settlement, a sum of L.L. 50,000 was allocated for this purpose which brings wage increases (retroactive to June 1, 1959) up to a maximum of L.L. 100 per month for top rated employees.

A September agreement provided that the issue of wage reclassification would be resolved by December 31, 1959. When the company refused to negotiate on the issue, the union set a deadline of January 15 for a strike. On January 14, the company agreed to begin negotiations which were finally concluded on the 17th. An interesting side light of this settlement is a decision by the higher paid employees to accept lesser increases than the formula provides in order to permit the payment of larger increases to the lower paid workers.

OFFICIAL USE ONLY - Comment: With the signing of this wage classification agreement, the dispute dating from June 1, 1959 is ended (see W.E.R. 36, September 10, 1959). The LEPCO Union, a recent affiliate of the United Unions of Employees and Workers (UUEW), received help in negotiating the September agreement from George Sacre, President of the Mobil Oil Employees Union. The new agreement, however, was reached through the union committee's own efforts and was led by its president, Elie AOUN. It puts the pay of the LEPCO Employees more nearly on a par with that of the larger oil marketing companies in Lebanon.

IX. UNCLASSIFIED - Petroleum: Middle East Oil Industry Exhibition Opens in Beirut

An oil industry exhibition organized under the auspices of the American University of Beirut was officially opened on January 11 by the Director-General of the

CONFIDENTIAL

0041

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

CONFIDENTIAL

Page 7 of
Despatch No. 425
From Beirut

Lebanese Ministry of National Economy, Mr. Abdel Rahman TAYYARA. The exhibition was held on the University grounds and continued until January 15. Various oil companies, including Aramco, Tapline, the Kuwait Oil Company and the Iraq Petroleum Company, participated and exhibited a wide range of display material.

X. UNCLASSIFIED - Aviation: (a) Lebanese-Iranian Civil Air Difficulties Unresolved
(See W.E.R. 2)

As a result of intervention by the Iranian Embassy in Beirut with the Lebanese civil aviation authorities, the two Lebanese aircraft impounded by the Iranians in Tehran and the Iranian plane impounded by the Lebanese authorities have now been released. Final resolution of the basic problem, which involves the number of Lebanese airlines permitted to fly to Tehran and the frequencies of such flights, is still pending. Lebanese airlines have not yet resumed their flights to Tehran, pending the outcome of the discussions.

UNCLASSIFIED - (b) Lebanese-Italian Civil Air Agreement (See W.E.R. 2)

The signing of the Lebanese-Italian air agreement, which was to have taken place in Beirut on January 21, has been delayed until February at the request of the Italian authorities. It is understood that the Italians have agreed to seven frequencies a week for two Lebanese carriers. The exact reason for the postponement of the signing has not been announced.

UNCLASSIFIED - (c) Lebanese-Iraqi Air Talks Reach Crisis State

Discussions which have been going on between the Lebanese and Iraqi authorities on the conclusion of a bilateral civil air agreement have broken down, with the consequent possibility of a cessation of civil air service between the two countries. Unlike the other discussions mentioned above, the Iraqi negotiations had been conducted through the Foreign Ministries. The announced reason for the breakdown in the discussions is the insistence on the part of the Iraqis on naming the Lebanese airlines which would be allowed to fly to Iraq. At this juncture the Iraqi delegation is insistent that only two Lebanese airlines be certified, while on the other hand the Lebanese authorities are holding out for all four.

Comment: Lebanon's civil air negotiations are complicated by the fact that it has three competing and money losing passenger carriers and one profitable freight carrier.

UNCLASSIFIED - (d) Air Liban Inaugurates Beirut-Tripoli (Libya) Flight

Air Liban announced the establishment of a weekly DC-6 schedule Beirut-Tripoli (Libya) on January 18, 1960. The flight will leave Beirut each Monday morning at

CONFIDENTIAL

0042

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

CONFIDENTIAL

Page 8 of
Despatch No. 425
From Beirut

0030 and will depart Tripoli at 0700 the same date on the return flight to Beirut.
Air Liban states that they expect to extend this service to other northwestern African cities at a later date.


Robert McClintock

Contributors:

THENesbitt
ICTihany
MMTurner

cc: AmEmbassies AMMAN, ANKARA, BAGHDAD, CAIRO, JIDDA, LONDON, PARIS, TEL AVIV,
TRIPOLI; AmConsGen ALEPPO, DAMASCUS, DHAHRAN; AmConsulates ADEN, KUWAIT.

CONFIDENTIAL

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

0043

AIR POUCH
PRIORITY

LIMITED OFFICIAL USE
(Security Classification)

DO NOT TYPE IN THIS SPACE

FOREIGN SERVICE DESPATCH

FROM : AmEmbassy BEIRUT

433
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

January 28, 1960
DATE

REF : CERP Section C, Item 1; EmbDesp 425, January 21, 1960

JAN 30 1960

67 For Dept. Use Only	ACTION	DEPT.
	REC'D	IN V O
	1/1	Rep-1 1RL-15 1CA-11 E-7 NEA-4 EOR-5 CIA-16 USIA-10 OCB-2 OSD-2 DRONG-3

SUBJECT: Weekly Economic Review No. 4 - Lebanon - Week Ending January 28, 1960

Contents

- I. UNCLASSIFIED - Highlights
- II. UNCLASSIFIED - Foreign Trade and Economic Relations: Lebanon to Participate in East German Trade Fair
- III. LIMITED OFFICIAL USE - Industry-Labor: Mobil Oil Strike Ends After One Day (See W.E.R. 3)
- IV. UNCLASSIFIED - Finance: Debate on 1960 Budget Continues (See W.E.R. 40)
- V. UNCLASSIFIED - Finance: DLF Loan Approval Set (See W.E.R. 1)
- VI. UNCLASSIFIED - Foreign Aid: Finance Ministry Announces No U.S. Financial Assistance to Lebanon Expected in 1960
- VII. UNCLASSIFIED - Agriculture: Minister of Agriculture Launches Reforestation Drive
- VIII. UNCLASSIFIED - Agriculture: (a) Water Shortage Possible Next Summer; (b) No Present Locust Threat to Lebanon
- IX. UNCLASSIFIED - Labor: Belgian Bank Employees Walk Out
- X. UNCLASSIFIED - Civil Aviation: Pan American to Increase Jet Aircraft Operations Through Beirut

I. UNCLASSIFIED - Highlights

Press attention for the past few days has focused principally upon the events in Algiers, with most newspapers shifting their fire from General de Gaulle to the Colons. The strike by Mobil Oil workers, which had threatened to assume serious proportions, has been halted temporarily by an agreement to resume negotiations under

RPSmith:ml
REPORTER

LIMITED OFFICIAL USE

ACTION ASSIGNED TO	ACTION TAKEN	DIRECTIONS TO RM/R
NAME OF OFFICER & OFFICE SYMBOL	DATE OF ACTION	

ACTION COPY - DEPARTMENT OF STATE

The action office must return this permanent record copy to RM/R files with an endorsement of action taken.

CLASSIFIED FILE

DECLASSIFIED

Authority NND 949569

By PT NARA Date 7/23/04

CEVE Section C. Ifew J. Eupdeab
INTERPRETER BEING
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

Page 2 of
Despatch No. 433
From Beirut

the supervision of the Ministry of Labor. In the Chamber of Deputies, debate has continued on the 1980 Ordinary State Budget, with eight specific articles already approved. If Parliament does not approve the entire budget by the end of the week, however, its issuance by decree is possible under existing Lebanese law. The Council of Ministers has continued to wrestle with the proposed amendments to the electoral law and with the reapportionment which would follow any increase in the number of deputies in the Parliament.

II. UNCLASSIFIED - Foreign Trade and Economic Relations: Lebanon to Participate in East German Trade Fair

The Foreign Ministry announced on January 23 that Lebanon would have an exhibit at the forthcoming Leipzig Fair which opens on February 28. According to press accounts, the East German Government (GDR) will pay for the construction of the Lebanese pavillion on a 200 square meter area, water and electricity charges, as well as the expenses of the Lebanese delegate. The Lebanese Government will have to pay only the shipping charges of its exhibit. In an interview given prominent treatment by several papers, the Chief of the East German Commercial Delegation in Beirut described Lebanese participation in the Leipzig Fair as a "necessity", in view of the fast-expanding commercial relations between the two countries resulting from the 1955 Lebanese-GDR Trade and Payments Agreement. He stressed that during 1959 the GDR imported from Lebanon 6,000 tons of citrus fruit and 10,000 cases of apples.

OFFICIAL USE ONLY - Comment: A competent official of the Lebanese Foreign Ministry privately confirmed the press reports of Lebanese participation in the Leipzig Fair as well as the importance of the GDR as a major importer of Lebanese fruit. He stressed the non-political character of the Lebanese presence at the East German fair and remarked that there would be "also West German and U.S. exhibitors at the fair." He described the Lebanese exhibit as consisting of "largely apples and oranges."

III. LIMITED OFFICIAL USE - Industry-Labor: Mobil Oil Strike Ends After One Day
(See W.E.R. 3)

The strike called by the Mobil Oil Employees Union began early on January 23, but ended late the same day following conversations between the Ambassador and Mobil Oil President Nixon L. BALLARD and intervention with both parties to the dispute by Director-General Mohamed SAFIEDDIN of the Ministry of Labor and Social Affairs. Both the union and the company agreed to accept a temporary settlement which called for an immediate cessation of the strike and a 30-day period during which negotiations would proceed between the union and company under the direct supervision of the Ministry of Labor. The first negotiating session was held on January 27.

LIMITED OFFICIAL USE

0045

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

LIMITED OFFICIAL USE

Page 3 of
Despatch No. 433
From Beirut

Comment: The one-day strike delayed some flights through Beirut's International Airport due to Mobil Oil's inability to refuel the aircraft, and the threatened prolonged tie-up of the airport undoubtedly contributed significantly to the Government's prompt intervention. The basic issue between company and union is the cost of living index which has been administered by the company alone for many years, but in which the union is now demanding a voice.

IV. UNCLASSIFIED - Finance: Debate on 1960 Budget Continues (See W.E.R. 40)

Debate continued in the extraordinary session of the Chamber of Deputies this week on the 1960 Ordinary State Budget, and on January 25, after debating the budget article by article, the Chamber ratified the allocations for eight separate government departments. This was the third session reserved for the budget debate, and unlike the first two, it was not marked by heated debates or Government criticism. While daily sessions will continue in an attempt to conclude the budget debate by the January 31 deadline, if Parliament has not acted upon it by that time, the Government is empowered under existing law to issue the budget by decree.

Comment: Since many Deputies are complaining about the daily sessions of the Chamber, it is quite possible that Parliamentary action may not come in time. The Government would then have a choice between extending the current extraordinary session or issuing the budget by decree. Most observers appear to believe that the latter course is more likely to be followed.

V. UNCLASSIFIED - Finance: DLF Loan Approval Set (See W.E.R. 1)

A request for formal approval of the \$5 million DLF loan to the Banque de Credit Agricole, Industriel et Foncier (BCAIF) was sent to Parliament by the President early this week. After a brief discussion of the subject in Parliament, it was referred to the Finance Committee for consideration by that body. The Finance Committee is expected to act on the proposal prior to the end of this week and transmit its findings to the Parliament in the immediate future.

OFFICIAL USE ONLY - Comment: According to BCAIF Director YAFFI, no difficulty is anticipated in obtaining the approval either of the Finance Committee or of the Parliament.

VI. UNCLASSIFIED - Foreign Aid: Finance Ministry Announces No U.S. Financial Assistance to Lebanon Expected in 1960

A spokesman for the Ministry of Finance announced to the press this week that American aid in 1960 will be limited to technical assistance furnished by USOM and valued at some \$1,300,000. The spokesman added that no financial aid will be

LIMITED OFFICIAL USE

0046

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

LIMITED OFFICIAL USE

Page 4 of
Despatch No. 433
From Beirut

forthcoming from the United States in 1980 since the "state of the Treasury" is healthy and since Lebanon has no need of such financial assistance.

OFFICIAL USE ONLY - Comment: Despite the inaccuracy of the figure given, this statement is a welcome change from the more common speculative stories which have appeared frequently in the Lebanese press, some of which have contained greatly exaggerated reports of alleged increases in U.S. aid to Lebanon.

VII. UNCLASSIFIED - Agriculture: Minister of Agriculture Launches Reforestation Drive

Minister of Agriculture Fouad NAJJAR has proclaimed the month of February as "Reforestation Month" and personally launched the reforestation drive by a symbolic planting of the first tree of the campaign. A group of over 200 volunteers from various schools, colleges and civic and agricultural organizations gathered this week on the slopes of a mountain east of Beirut to kick off the campaign and to hear Mr. Najjar plead for more awareness of the importance of Lebanon's forests. The volunteer group, which was furnished transportation to the site by the Lebanese Army, then proceeded to plant some 4,500 trees, largely pines, firs and cedars. The new forest will be named for President Fuad CHEHAB. The event was well covered in the local press, and the drive toward reforestation will continue in various areas throughout Lebanon during the coming month.

OFFICIAL USE ONLY - Comment: Lebanon, now almost denuded of what was once very extensive and valuable stands of timber, has badly needed such a reforestation program. Mr. Najjar's success in arranging for the support of volunteer organizations to help in the campaign is typical of the vigor with which he has attacked the problems facing the Ministry of Agriculture. The reforestation campaign, if successful, will help alleviate the nagging problems of soil erosion, watershed protection and the necessity of importing lumber from abroad.

VIII. UNCLASSIFIED - Agriculture: (a) Water Shortage Possible Next Summer

Observers at the American University of Beirut have reported that unless there is a very heavy snowfall in the mountains during the remainder of the winter, Lebanon may face a water shortage next summer. Snowfall thus far in the mountains has been very light, and Lebanon counts heavily on the runoff from the snow in the mountains to feed its streams and water supply.

UNCLASSIFIED - (b) No Present Locust Threat to Lebanon

Following some speculation in the local press concerning a possible locust invasion of Lebanon, Director General Halim NAJJAR of the Ministry of Agriculture announced this week that Lebanon is not now threatened with a locust invasion. He

LIMITED OFFICIAL USE

0047

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

LIMITED OFFICIAL USE

Page 5 of
Despatch No. 433
From Beirut

pointed out that recent rains and cool weather in the area have greatly helped in discouraging the insects, although scattered swarms of the pests are still entrenched in certain parts of Jordan. Najjar also said that if the low temperatures and rains continue for some time, the locust threat to Lebanon will be almost completely eliminated.

Comment: The absence of any such threat by locusts has been confirmed by American entomologists on the staff of the U.S. Department of Agriculture's Regional Insect Control Project.

IX. UNCLASSIFIED - Labor: Banque Belgo-Libanaise Walk Out

The 50-odd employees of the Banque Belgo-Libanaise refused to report for work on January 26 following a strike authorization voted at an emergency meeting of the strong Bank Employees Union. In addition to an unspecified wage increase calculated to bring the Belgian Bank employees' pay up to prevailing levels, the union also demands a health insurance plan, increased family allowances, a reduction in working hours and revisions in the Bank's working rules. Gabriel KHOURY, President of the union as well as of the parent United Unions of Employees and Workers (UUEW), charges Bank Manager BARETTE, a Belgian national, with refusing to bargain with the union. Prompt intervention by the Ministry of Labor and Social Affairs brought the two parties together in an effort to end the walkout, and the bank employees went back to work on January 27.

OFFICIAL USE ONLY - Comment: Most of the stock in the Banque Belgo-Libanaise is owned by the wealthy SIHNAOUI family, whose other interests include holdings in the Chekka Cement Plant, trading companies and Beirut real estate.

The Bank Employees Union has been effective in settling disputes without strikes since it struck all of Beirut's banks in 1955 and gained all of its objectives. Since then, this record has been marred only by one brief work stoppage at a minor bank, and only last week the union settled a number of accumulated grievances at the Banque de Syrie et du Liban after the employees had refused to move into the Bank's new headquarters until the grievances were settled.

X. UNCLASSIFIED - Civil Aviation: Pan American to Increase Jet Aircraft Operations Through Beirut

Pan American Airways now operates four jet flights per week through Beirut, one flight eastbound each Wednesday and Sunday, and one flight westbound each Wednesday and Friday. By February 8, 1960, Pan American plans to have eight Beirut transit flights, four each way, and by March 8, 1960, it plans to operate sixteen transit

LIMITED OFFICIAL USE

0048

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

LIMITED OFFICIAL USE

Page 6 of
Despatch No. 433
From Beirut

flights, eight each way. As a consequence, the transition of Pan American's operations through Beirut from piston aircraft to turbo-jets will be completed by March 8, 1960.


Robert McClintock

Contributors:

THENesbitt
LCTihany
MMTurner
HDSnell

cc: AmEmbassies AMMAN, ANKARA, BAGHDAD, CAIRO, JIDDA, LONDON, PARIS, TEL AVIV,
TRIPOLI; AmConsGen ALEPPO, DAMASCUS, DHAHRAN; AmConsulates ADEN, KUWAIT.

LIMITED OFFICIAL USE

0049

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

AIR-POUCH
PRIORITY

LIMITED OFFICIAL USE
(Security Classification)

DO NOT TYPE IN THIS SPACE

FOREIGN SERVICE DESPATCH

883A.00/2560

FROM : AmEmbassy BEIRUT

454

DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

February 5, 1960

DATE

REF : CERP Section C, Item 1; EmbDesp 433, January 28, 1960

FEB 9 1960

9 For Dept. Use Only	ACTION	DEPT.
	REC'D	OTHER
	2-12-60	OSD-2 USIA-10 ARMY-35 NAVY-20 AIR-30

SUBJECT: Weekly Economic Review No. 5 - Lebanon - Week Ending February 4, 1960

Contents

- I. UNCLASSIFIED - Highlights
- II. UNCLASSIFIED - Finance: The 1960 Ordinary State Budget is Approved in Full by Parliament
- III. OFFICIAL USE ONLY - Industry-Labor: Mobil Negotiations Stalled
- IV. UNCLASSIFIED - Agriculture: CINCEUR Considers Purchasing Small Quantities of Lebanese Apples and Other Agricultural Produce (See W.E.R. 35, 1959)
- V. UNCLASSIFIED - Government Policy: Exports of Lentils and Samne Banned
- VI. UNCLASSIFIED - Foreign Trade and Economic Relations: Lebanon Worried by Failure of Saudi Arabia and the U.A.R. to Ratify the Transit Agreement
- VII. UNCLASSIFIED - Finance: DLF Loan Ratified by Parliament
- VIII. UNCLASSIFIED - Agriculture: Refugee Goats
- IX. UNCLASSIFIED - Labor: (a) The Almaza Brewery Strike; (b) Flour Mill Workers Involved in Import Dispute
- X. UNCLASSIFIED - Civil Aviation: (a) Lebanon-Iraq Civil Air Problems Still Unresolved (See W.E.R. 3); (b) Civil Air Negotiations with Iran Continue (See W.E.R. 3)

I. UNCLASSIFIED - Highlights

The 1960 Ordinary State Budget was formally approved by the Chamber of Deputies this week, marking the first time that Parliamentary approval of a Lebanese Government budget has been forthcoming since 1956. While considerable space in the Lebanese

RPSmith:all
REPORTER

LIMITED OFFICIAL USE

ACTION ASSIGNED TO:	ACTION TAKEN
NAME OF OFFICER	DATE OF ACTION
& OFFICE SYMBOL	DIRECTIONS TO RM/R

ACTION COPY - DEPARTMENT OF STATE

The action office must return this permanent record copy to RM/R files with an endorsement of action taken.

883A.00/2-560

CLASSIFIED FILE

DECLASSIFIED

Authority NND 949569

By PT NARA Date 7/23/04

LIMITED OFFICIAL USE

Page 2 of
Despatch No. 454
From Beirut

press continued to be devoted to the crisis in Algiers and Paris, it was overshadowed this week by the clash between Syrian and Israeli forces near Lake Tiberias and by the arrival in Beirut on February 3 of King Mohammed V of Morocco.

II. UNCLASSIFIED - Finance: The 1960 Ordinary State Budget is Approved in Full by Parliament

On January 29, the 1960 Ordinary State Budget, totaling approximately L.L. 222 million, was passed unanimously by the Parliament. This is the first year since 1956 that Parliament has given its approval to the Government's budget, the budgets for 1957 and 1958 having been issued by Government decree following expiration of the time limit specified by the Constitution for ratification, and the 1959 budget by similar decree under the "full-powers" then delegated to the Executive. Prior to the final vote, the deputies rejected a Government-proposed amendment to the budget document which would have authorized the Cabinet to transfer appropriations from one Ministry to another, or from the reserve fund to a Ministry, without reference to the Chamber. One evident result of this defeat for the Government will be to inhibit the hiring and transfer of personnel in connection with the further implementation of the Government's administrative reform program.

A breakdown of the total budgetary figure is not yet available, nor is the figure of L.L. 222 million to be considered precise. This is because Parliament, while having approved specific amounts for the individual chapters of the budget during the previous weeks, in its session of last Friday merely expressed its formal approval of the budget as a whole, without mentioning a specific figure.

During Friday's session, Parliament also approved the Government's closed accounts for the 1958 Ordinary State Budget as well as the 1958 closed accounts for the Telephone Administration, the Wheat Office, and the National Lottery. Summary figures for these accounts will probably be published in the Official Gazette in one to two weeks.

OFFICIAL USE ONLY - Comment: In providing the Embassy with the figure of L.L. 222 million, an official of the Government's budget office stated that the final published amount will not vary one way or the other by more than one million Lebanese pounds. It is noted that the 1960 ordinary budget (which represents only 60 percent (approximately) of the Government's total receipts and expenditures) is the highest in history and reflects an increase of L.L. 2 million over the proposed budget submitted by the Government last fall. A few preliminary comments on this year's budget were contained in W.E.R. 40, October 8, 1959. Further analysis must await the release of more detailed figures.

III. OFFICIAL USE ONLY - Industry-Labor: Mobil Negotiations Stalled

A dispute over the action of Mobil Oil Company of Lebanon in failing to pay wages to its striking employees for the one day (January 23) on which they were on strike

LIMITED OFFICIAL USE

0051

DECLASSIFIED
Authority NND 940569
By ET NARA Date 7/23/04

LIMITED OFFICIAL USE

Page 3 of
Despatch No. 454
From Beirut

has led to a refusal by the Mobil Oil Employees Union to continue negotiations until the pay deduction is restored.

Mobil Oil President Nixon L. BALLARD, after cabling a recommendation against the payment to his New York office, notified Mohammed SAFIEDDINE, Director-General of the Ministry of Labor and Social Affairs, that his U.S. superiors had accepted his recommendation not to make the disputed payment. Safieddine, who has been urging Ballard to restore the deduction, refused to accept Ballard's decision as final. He promised to refer the question to Minister Maurice ZOUEIN, whom he said will probably appeal to the Ambassador for help in persuading Ballard to reconsider. The issue now rests squarely with the Ministry, with the Union passively awaiting the outcome. If no settlement is reached by February 23, the Union vows that it will resume the strike.

LIMITED OFFICIAL USE - Comment: The Union's position is that since no such condition was included in the truce agreement, the Company has violated the spirit of the pact. It appears likely that Government pressure will force Ballard to restore the cut. Although not explicitly spelled out in the Labor Code, it has been the practice for employers to pay their employees for all time not worked during strikes, provided such strikes are legal. The Ministry of Labor and Social Affairs has, without exception, declared strikes legal when the union has provided the Ministry with written notice 48 hours prior to the stoppage. George SACRE, President of the Mobil Oil Employees Union, insists that he had met this condition.

For the moment the Union can maintain a relaxed posture, since the Ministry, according to one of its spokesmen, now has the responsibility of persuading Mobil Oil to make the repayment. The Ministry, in turn, is under pressure from the Ministry of Civil Aviation to avoid any disruption to airport traffic resulting from a strike. The one-day walkout of January 23 clearly demonstrated that the employees of the other oil marketing companies would not service Mobil's customers. It is almost a certainty that, if the strike resumes on February 23, Mobil's airport and other operations will come to a dead stop.

IV. UNCLASSIFIED - Agriculture: CINCEUR Considers Purchasing Small Quantities of Lebanese Apples and Other Agricultural Produce (See W.E.R. 35, 1959)

A representative of the Hague Field Office of the U.S. Army Quartermaster Supply Center paid a three-day visit to Lebanon last week for the purpose of surveying the supply of locally produced fresh fruits and vegetables available for export. Appropriate agencies of the Lebanese Government welcomed his visit and greatly facilitated the accomplishment of his mission. Interested primarily in purchasing small quantities of apples, oranges and potatoes, the CINCEUR representative was put in contact with leading producers and exporters of each of these commodities.

OFFICIAL USE ONLY - Comment: Prior to his departure, the procurement officer informed the Embassy that while CINCEUR purchases of Lebanese oranges this year

LIMITED OFFICIAL USE

0052

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

LIMITED OFFICIAL USE

Page 4 of
Despatch No. 454
From Beirut

appeared unlikely, he believed that his office would be sufficiently interested in the purchase of a small quantity of apples to request bids from some half dozen Lebanese exporters for the supply of about 20 tons (approximately 1,100 boxes) of top quality fruit. He emphasized that this would be in the nature of a trial order. If the shipment arrives in satisfactory condition, he estimated orders in future years, assuming reasonably competitive pricing, might be placed for as much as 250 tons of top grade apples annually. He commented that this quality fruit would be utilized largely in post exchanges and would not compete with the much larger quantities of apples purchased from Western sources of supply for normal troop consumption.

V. UNCLASSIFIED - Government Policy: Exports of Lentils and Samne Banned

The Lebanese Government last week suspended the exportation of lentils and samne (a kind of melted butter used for cooking).

Comment: The Government's move reflects concern over the continued effects of the last two droughts which may be repeated this year for a third time. In the case of lentils, exports have been essentially re-exports, since the annual consumption of 1,700 tons was far in excess of the annual production of 1,000 tons (in 1958-59) and 800 tons (in 1959-60). The 1958-59 production had to be supplemented by imports totaling 2,900 tons, of which 2,100 tons were re-exported between July 1, 1958, and June 30, 1959. The same amount of exports during the comparable period of 1959-60 would mean no reserve stocks remaining in the bins by June 30 of this year. In the case of samne, the situation is even more serious because the estimated 1959-60 annual consumption of 650 tons (reduced from 1,000 tons in 1958-59) would be far in excess of the annual production of 100 tons, which was supplemented in 1958-59 by imports of 700 tons. The place of samne is gradually being taken by a cheap grade of butter mixed with margarine and vegetable fats imported from Europe. The present price ratio is approximately L.L. 15,00 (\$5.00) for a kilogram of samne and L.L. 7,50 (\$2.50) for a kilogram of table butter. The replacement of samne by butter should be noted by U.S. exporters.

VI. UNCLASSIFIED - Foreign Trade and Economic Relations: Lebanon Worried by Failure of Saudi Arabia and the U.A.R. to Ratify the Transit Agreement

The quadripartite transit agreement which was initialled by Lebanon, the U.A.R., Saudi Arabia and Jordan on December 9, 1959 has not yet been ratified by the U.A.R. and Saudi Arabia. The agreement, which was to have been implemented as of February 1, cannot come into effect until three of the four contracting parties have ratified it. According to a statement released to the press this week by the Minister of National Economy, Lebanon is considering sending notes to the U.A.R. and to Saudi Arabia urging their early ratification. Ratification by the U.A.R. in particular is of critical importance to the success of the agreement.

LIMITED OFFICIAL USE

0053

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

LIMITED OFFICIAL USE

Page 5 of
Despatch No. 454
From Beirut

VII. UNCLASSIFIED - Finance: DLF Loan Ratified by Parliament

In the closing hours of its special session on Friday, January 29, the Chamber of Deputies gave its approval of the \$5 million loan granted to the Banque de Credit Agricole, Industriel et Foncier (BCAIF) by the Development Loan Fund. The loan, which is sorely needed by the BCAIF, will be used to finance industrial development projects and cannot be used for agricultural development. BCAIF Director Talha YAFFI and board member Abdullah KHOURY are expected to go to Washington later this month to sign the final terms of the loan agreement.

VIII. UNCLASSIFIED - Agriculture: Refugee Goats

As part of Minister of Agriculture Fouad NAJJAR's conservation and reforestation program (see W.E.R. 4), a Ministry spokesman announced this week that the Lebanese Gendarmerie has been charged with the task of "exterminating" the sizeable goat population of the nation. Already persecuted in the Syrian Province of the U.A.R., large numbers of goats have been herded across the border into Lebanon, where their voracious appetites have again gotten them into trouble. The Ministry's action is in response to the many complaints received from unsympathetic farmers, among whose crops and young trees the friendly, but hungry, beasts have sought refuge.

IX. UNCLASSIFIED - Labor: (a) The Almaza Brewery Strike

The Machinists Union, headed by Abdel Majid MEHIO, has called a strike of the 100 employees of Beirut's Almaza Brewery over the Company's proposal to discharge 34 workers. The Company had hired six new employees a few weeks before sending the dismissal notices to the 34. All except the six new employees walked off the job on February 1, according to Union sources, in protest against the dismissals. The usual mediation procedures have been invoked by the Ministry of Labor and Social Affairs, but no change is reported in the Union's stand that the discharge notices be withdrawn.

LIMITED OFFICIAL USE - Comment: Almaza Management justifies the impending discharges on the ground that beer sales have dropped during the winter season, thus necessitating a reduction in the work force. Mehio rejects this argument by asking why no such layoffs were made in previous years. He contends that the reason for the discharges is political and that a group headed by Camille CHAMOUN, former President of Lebanon, has acquired a controlling interest in the Brewery and is attempting to provide jobs for Chamoun's followers. It is not certain at this time that Mehio's claim is factual, but if it is, this strike could generate some reactions which would remove it from the purely economic sphere. On the other hand, if Mehio holds to the principle (unofficially adopted by the entire Lebanese trade union movement) that no discharges be made because of the unemployment situation, he undoubtedly will receive widespread support from other unions.

LIMITED OFFICIAL USE

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

LIMITED OFFICIAL USE

Page 6 of
Despatch No. 454
From Beirut

UNCLASSIFIED - (b) Flour Mill Workers Involved in Import Dispute

Operators of Lebanon's principal flour mills have sent dismissal notices to all 1,200 of their workers to become effective after the one to two months period specified in the law. The millers are currently embroiled in a controversy with the Government over its recent policy of permitting virtually an unrestricted amount of flour to be imported. They complain that this policy will force them to shut down their mills, and in preparation for this, the discharge notices have gone out.

The Flour Mill Workers Union, whose application for a license is pending at the Ministry of Labor and Social Affairs, intends to affiliate with the Federation of Independent Trade Unions (FITU) once it gains the legal right to function. During the current dispute, the flour mill workers are holding meetings at the FITU headquarters, and under the guidance of FITU Secretary General Abdel Majid Mehio, have come up with a four-point program of action to meet the situation: 1) A 12-man workers' committee from the major mills and the FITU has appealed to the Government of Lebanon and the millers to withdraw the dismissal notices; 2) the committee has sent cables to President CHEHAB and to individual cabinet members holding them responsible for what may happen; 3) the 12-man committee is authorized to call a token one-hour strike at its discretion; and 4) the Government and the millers are advised that the Union considers a general membership meeting to be in continuous session.

OFFICIAL USE ONLY - Comment: This appears to be another example of an often-used maneuver of owners of Lebanese businesses who find themselves involved in a dispute with the Government over the degree of protection to be accorded their industry. The flour millers state that they are deeply concerned by the recent flour importation policy as enunciated by Philippe TAKLA, the new Minister of National Economy. They allege that the relatively low price of imported flour will result in a drastic reduction in the amount of wheat to be milled. By the tactic of threatening mass dismissals they hope to apply pressure on Minister Takla to reverse the Government's present attitude.

X. UNCLASSIFIED - Civil Aviation: (a) Lebanon-Iraq Civil Air Problems Still Unresolved (See W.E.R. 3)

Unless difficulties involving the frequency of flights and the number of airlines permitted to fly to Baghdad are resolved in the near future, there is growing speculation that ^{local} air service between Baghdad and Beirut may be suspended. The only Lebanese carrier presently involved is Middle East Airlines, but the Government of Lebanon is apparently determined that it alone should have the right to determine which of its three passenger carriers shall be permitted on the Baghdad route. Service between the two capitals is still being maintained, although the future outlook remains uncertain.

LIMITED OFFICIAL USE

0055

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

LIMITED OFFICIAL USE

Page 7 of
Despatch No. 454
From Beirut

UNCLASSIFIED - (b) Civil Air Negotiations with Iran Continue (See W.E.R. 3)

The difficulties in reaching a final agreement with Iran on the designation of Lebanese carriers to fly to Tehran are similar to those in the case of Iraq. The Iranian authorities have refused to permit all three Lebanese passenger carriers to fly to Tehran, while Lebanon contends that it alone has the right to designate the airlines to be permitted that right. Negotiations through diplomatic channels are continuing.


Robert McClintock

Contributors:

THENesbitt
LCTihany
HDSnell
CECook

cc: AmEmbassies AMMAN, ANKARA, BAGHDAD, CAIRO, JIDDA, LONDON, PARIS, TEL AVIV,
TRIPOLI; AmConsGen ALEPPO, DAMASCUS, DHAHRAN; AmConsulates ADEN, KUWAIT.

LIMITED OFFICIAL USE

0056

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

AIR POUCH
PRIORITY

CONFIDENTIAL
(Security Classification)

DO NOT TYPE IN THIS SPACE

883A.00/2-960

FOREIGN SERVICE DESPATCH

FROM : AmEmbassy BEIRUT *RM/R*
TO : THE DEPARTMENT OF STATE, WASHINGTON.

DESP. NO.

February 13, 1960

REF : 1957 CERP, Voluntary, Section D-II-A-1; D-IV-A-1; D-IV-A-5; EmbDesp 321, December 3, 1959; EmbDesp 388, January 7, 1960

17 For Dept. Use Only	ACTION	DEPT.
	REC'D	IN F O
	NEA-9	Rm R-2 Rep-1 IRC-8 EUR-5 E-7 ICA 11.125-5 S/P-1 C-1
	2-16	Cia 10 OSD-4 Army-4 Navy-3 Air-6 Ag-2 Com-10

SUBJECT: French Survey of Lebanon's Development Needs Begins FRB-3 HEW-2 IN-1.
LAB-6 TAR-2 TR-3 XMB-4 OCB-1

Begin UNCLASSIFIED. The reference despatches reported briefly that the Lebanese Government had contracted with a French firm to assist in a comprehensive survey of Lebanon's economic development needs and to formulate detailed plans for attacking the problem. Although a Lebanese "five-year plan" was announced early in 1958, it was never approved and remains something of a dead letter as far as Lebanese Government officials are concerned. An awareness of development needs in the country led the Government late in 1959 to retain the services of the Centre Internationale de Formation et de Recherche en Vue du Developpement Harmonise (IRFED), a private French company, and to utilize that firm's experience in preparing such surveys for other underdeveloped nations. Two Lebanese officials of the Ministry of Planning spent several weeks in Paris in December, 1959 discussing the forthcoming survey with the French consulting firm. End UNCLASSIFIED.

Begin CONFIDENTIAL. The original contract between the Lebanese Government and the IRFED called for the Lebanese Government to pay to the firm a total of \$37,500 (excluding housing and travel allowances), payable one month after delivery of the final report. The original schedule called for the survey to end by September 30, 1960. However, the assumption was that work would begin in July, 1959, and since administrative difficulties within the Lebanese Government delayed the beginning of the survey until February, 1960, the contract is likely to be amended. The deadline of September, 1960 remains, however, which means that the survey will be considerably less comprehensive than was originally anticipated.

Conversations last week between the reporting officer and Mr. Mohamed Abdul Salam JANOUN, the chief of the Lebanese team of officials who are to supervise the project on behalf of the Lebanese Government, have revealed some more details concerning the proposed survey. Mr. Janoun, who holds a degree in economics from the University of California and is married to an American woman, informed the reporting officer that their basic field research program will be performed by six teams of three persons each (all Lebanese). Four of these teams will work in the agricultural areas, and each will be composed of one agricultural engineer, one sanitation expert, and one sociologist. The other two teams will work in urban areas and will be composed of two sociologists and one sanitation expert.

RPS
RPSmith:ml1
REPORTER

CONFIDENTIAL

ACTION COPY — DEPARTMENT OF STATE

The action office must return this permanent record copy to DC/R files with an endorsement of action taken.

883A.00/2-960

CAA

883A.00/2-960

DECLASSIFIED

Authority NND 949569

By PT NARA Date 7/23/04

0057

2 of
No. 462
Beirut

CONFIDENTIAL
(Classification)

Page _____ of
Encl. No. _____
Desp. No. _____
From _____

To direct the operations of the above teams, a "central team" has been established. This team, headed by Mr. Janoun, will consist of a Lebanese group and a French group. The Lebanese group will have two economists and one city planning expert, while the French team will consist of five French experts, an economist, an agricultural specialist, a sociologist and two others to be selected as the need is demonstrated for certain skills. Three of the French experts have already arrived in Lebanon and have commenced their work. One of them, an economist, informed the reporting officer that he had performed similar work in several different countries for IRFED, including Colombia, Nigeria and Viet Nam. He appeared to be quite enthusiastic over the possibilities in Lebanon and seemed to be attacking his work with considerable vigor and enthusiasm.

Mr. Janoun, who will exercise broad supervision over the work of the entire group, will report directly to Director General Mustafa NSOULI of the Ministry of Planning, to Minister of Planning Fouad BOUTROS and, as the need arises, to Prime Minister Rashid KARAME and to President Fuad CHEHAB. While he appears to be somewhat concerned over the few months remaining before the report must be sent to the Government, he believes that a competent job can be done, thanks to the knowledge, ability and expertise of the French team. Mr. Janoun, who was himself recently hired on a contract basis by the Ministry of Planning for this specific task, has had some difficulty in obtaining qualified personnel from other Government departments to work on this project. He is gradually succeeding, however, and was able to send the teams into the field during the first week of February.

For the purposes of the survey, Lebanon has been divided into four principal areas, the north, the Beka'a Valley, the south and the Mont Liban (central) area. In the agricultural regions, the teams will first spend ten days touring the entire area assigned to them, visiting in the process as many villages as possible. At the end of this ten-day period, each team will pick "representative" localities and villages and then make an exhaustive and detailed survey of that particular entity. Similarly, the teams will highlight the "non-representative" localities and point up the differences involved. At the same time, the urban teams have begun their survey of the urban areas such as Beirut, Tripoli, Sidon and Zahleh.

Insofar as possible, the information brought back by the field teams will be used as a basis to prepare a detailed analysis of the economic, social and educational needs of the different inhabitants of the rural and urban centers of Lebanon, an analysis of the national resources and possibilities, and an analysis of the physical, economic and human resources in each of the regions studied. In the northern and southern regions, the teams now plan to investigate particularly the conservation and improvement of soil, use of water ways and hydro-electric facilities, port improvements and rural agricultural training. In the Beka'a the concentration will be on the development of agriculture, optimum use of water ways, and rural agricultural training. In the Mont Liban area, emphasis will be placed on reforestation, the water ways system, industrialization possibilities, the development of tourism and technical and professional teaching.

CONFIDENTIAL

0058

DECLASSIFIED
Authority NND 949569
By ET NARA Date 7/23/04

3 of
No. 462
Beirut

CONFIDENTIAL
(Classification)

Page _____ of
Encl. No. _____
Desp. No. _____
From _____

Other French experts from the firm in Paris will be available as needed, including experts in administration, finance, and hydraulics. An office in Beirut has been placed at the disposal of the group, and Mr. Janoun now has his headquarters there, a few blocks away from the main offices of the Ministry of Planning.

While Mr. Janoun is keenly aware of the problems facing his organization, not the least of which is an appalling lack of reliable statistical data, he nevertheless remains optimistic that the field survey and the assistance of the French experts will enable his group to present a comprehensive report to the Government which should enable it to inaugurate a coordinated and badly needed development program. The final survey report is to be submitted to the Planning Board through the Ministry of Planning. Eventually, of course, it will have to be approved by the Council of Ministers before any action can be taken upon it. Mr. Janoun also reports that although his organization is admittedly something of a "stepchild" and is scrambling for office furniture, vehicles and trained personnel, the cooperation he has received from other ministries has been excellent. Thanks largely to the personal support the survey has received from President Fuad Chehab, Mr. Janoun has found it possible to deal directly with the Ministers in the various departments rather than resorting to the lengthy and difficult process of "going through channels." The French members of the team with whom the reporting officer talked are also optimistic and convinced that they ^{can} produce a useful report in the time remaining to them. They are quick to point out, however, that in the last analysis, their report will benefit Lebanon only insofar as the plans formulated are put into actual operation by the Lebanese Government.

The optimism and enthusiasm expressed to the reporting officer by Mr. Janoun and his immediate associates is apparently not shared by Mr. Janoun's immediate boss. Mr. Mustafa Nsouli, Director General of the Ministry of Planning, who until the administrative reshuffle last December was the Director General of the Ministry of National Economy, informed the reporting officer that he was not at all happy in his new job, that the Ministry of Planning was badly neglected by the Government and that he would have preferred to remain in his old position. Although he willingly discussed the IRFED project, Mr. Nsouli made no attempt to hide the fact that he did not expect much of the survey. Indeed, he admitted that he was somewhat miffed because he had not been consulted before IRFED was retained for this project, and that had he been consulted in advance, he would not have selected the French firm to perform this work. Mr. Nsouli stated that he believed very strongly that there was "already too much French influence in Lebanon" and that the only reports he had had of the "vast experience" of IRFED came from Mr. Janoun and the IRFED experts themselves. At one point, Mr. Nsouli called the project "a waste of money" and indicated that he was not at all convinced that Mr. Janoun was capable of directing it, referring to his relative youth and inexperience. (Mr. Janoun, around 30 years of age, is, like Mr. Nsouli, a member of a prominent Sunni Moslem family who, prior to being hired for his present job, was on the staff of the Industry Institute in Beirut. He is not a regular employee of the

CONFIDENTIAL

0059

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

Page 4 of
Sp. No. 462
From Beirut

CONFIDENTIAL
(Classification)

Page _____ of
Encl. No. _____
Desp. No. _____
From _____

Ministry of General Planning. Mr. Janoun also indicated some concern over "increasing French influence" in Lebanon and stated that he hoped that more U.S. assistance would eventually be forthcoming, particularly in the fields of statistical services, public administration, vocational training and tourism.)

Although Mr. Nsouli is in a position to block effectively the work of the IRFED group, he indicated to the reporting officer that he was not inclined to do so, but simply that he was pessimistic as to their chances of success. He also admitted that it really made little difference how he personally felt about the project because it had the wholehearted support of the President of the Republic and the Minister of Planning. (Mr. Nsouli, who is an intelligent, articulate, and apparently dedicated civil servant, is well known by Embassy officers and did a very creditable job as Director General of the Ministry of National Economy. He is known for his frankness, however, and his speaking to the reporting officer in this fashion is not unusual. It is likely that his views on IRFED are somewhat colored by his transfer to a position which he considers less important than his old one and by the fact that he was not consulted before IRFED was retained.)

Officials of the French Embassy with whom the reporting officer has discussed the IRFED project also indicated a certain lack of enthusiasm and optimism over the chances for a successful conclusion to the project. They did admit, however, that the firm has had considerable experience in performing similar work in other underdeveloped countries.

In any case, it is still far too soon to make an accurate prediction, and much depends upon the continued cooperation and support of the Government. In the last analysis, the willingness and ability of the Lebanese Government to formulate and execute the projects recommended by the survey will determine its success or failure. It is certainly a step in the right direction, however, and the survey's determination of Lebanon's existing resources and economic potential alone should be well worth the small cost to the Government.


Robert McClintock

Cleared in draft by USOM.

cc: Amembassy PARIS

CONFIDENTIAL

DECLASSIFIED
Authority NND 949569
By ET NARA Date 7/23/04

AIR POUCH

PRIORITY

CONFIDENTIAL

(Security Classification)

DO NOT TYPE IN THIS SPACE

883a.00/2-1160

FOREIGN SERVICE DESPATCH

FROM : Amembassy BEIRUT

471

DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

February 11, 1960

DATE

REF : CERP Section C, Item 1; Embdesp 454, February 5, 1960

FEB 16 1959

35 For Dept. Use Only	ACTION	DEPT.	IN F O	OTHER
	REC'D			
	2-18			

REP-1 IRC-8 IRC-15 E-17 ICA-11 NEA-4
USIA-10 OSD-2 ARMY-35 NAVY-20 AIR-30

SUBJECT: Weekly Economic Review No. 6 - Lebanon - Week Ending February 11, 1960

Contents

- I. UNCLASSIFIED - Highlights
- II. OFFICIAL USE ONLY - Industry-Labor: Mobil Oil Negotiations Still Deadlocked (see WER 5)
- III. UNCLASSIFIED - Government Policy-Labor: Flour "Crisis" Appears Temporarily Resolved (see WER 5)
- IV. UNCLASSIFIED - Government Policy: Arab Education Conference Opens in Beirut
- V. UNCLASSIFIED - Foreign Trade: Beirut Port Activity in January up Slightly (see WER 49)
- VI. UNCLASSIFIED - Agriculture: Representatives of the Soybean Council of America Visit Beirut
- VII. UNCLASSIFIED - Agriculture: Seed Pathology Conference Opens in Beirut
- VIII. UNCLASSIFIED - Finance: Customs Receipts in January Back to Normal (see WER 1)
- IX. UNCLASSIFIED - Aviation: Developments in Civil Aviation Discussions
- X. UNCLASSIFIED - Foreign Trade and Economic Relations: Japanese Commercial Delegation in Beirut

883A.00/2-1160

RPSmith/bm

REPORTER

CONFIDENTIAL

ACTION ASSIGNED TO:	ACTION TAKEN	DATE OF ACTION	DIRECTIONS TO RM/R
NAME OF OFFICER & OFFICE SYMBOL			

ACTION COPY - DEPARTMENT OF STATE

The action office must return this permanent record copy to RM/R files with an endorsement of action taken.

DECLASSIFIED

Authority NND 949569

By PT NARA Date 7/23/04

CONFIDENTIAL

Page 2
Despatch 471
From Beirut

I. UNCLASSIFIED - Highlights

With most of the press attention during the week centered on the Arab League Foreign Ministers' Meeting in Cairo and an unsuccessful attempt by the opposition to force an extraordinary session of Parliament, the economic scene remained relatively serene. January figures for customs receipts and port traffic reflect a continuing high level of activity, and Lebanon's aviation difficulties with Italy appear to be on the road to solution.

II. OFFICIAL USE ONLY - Industry-Labor: Mobil Oil Negotiations Still Deadlocked
(see WER 5)

Because of the Mobil Oil Company's refusal to pay its striking employees for the one-day walkout of January 24, the Mobil Oil Employees Union continues to refuse to return to the bargaining table to negotiate on the dispute involving the company's cost-of-living index. Union sources report that several attempts have been made over the past week by Ministry of Labor and Social Affairs officials to induce Mobil Oil President Nixon L. BALLARD to restore the pay deduction. Mr. Ballard has thus far continued to refuse the repayment, while the union is exerting pressure on the Ministry to "direct" a restoration of the deduction.

One interesting development of the past week concerns the written demand from the United Unions of Employees and Workers (UUEW) that the Ministry arrange a meeting for federation and company representatives to discuss the issue of repayment of the disputed day's wages. UUEW President Gabriel KHOURY has proposed the date of February 13 for such a meeting. The company has not yet divulged its intentions on meeting with the federation spokesmen. Meanwhile, the end of the one month truce period draws nearer, bringing with it the possibility of a resumption of the strike on February 23.

CONFIDENTIAL - Comment: Both sides continue their maneuvers in this showdown over the strike pay issue which, although originally a secondary one, may develop into a significant precedent in local labor relations. As far as is known, the Ministry of Labor and Social Affairs in previous strike situations has determined that, if the strike is legal (i.e., if the Ministry was given 48 hours advance notice of the stoppage), the employer is obliged to pay his striking workers for their time off the job. The Embassy has been able to find no instance in which such a request by the Ministry has been contested in the courts. Ballard has clearly indicated his intention of resorting to court action if he is forced to reimburse his striking employees for the one day walkout. Apparently, neither the Ministry nor the union is anxious to subject this issue to a court test, although it is reported that a number of employers are anxious for a legal precedent to be set.

CONFIDENTIAL

0062

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

CONFIDENTIAL

Page 3
Despatch 471
From Beirut

It is certain that the government has no wish to see this strike resumed, since the other oil workers' unions will not service Mobil Oil's customers, and since the Mobil Oil Employees Union is assured of almost unanimous support from all of the country's other trade unions. Some concern is also being shown over the possible disruption of civil air traffic, although the union has assured military authorities of its willingness to have its members supply their needs. Such a showdown, involving as it does a foreign company and an increasingly important trade union movement, is causing considerable anxiety in Government of Lebanon circles.

III. UNCLASSIFIED - Government Policy-Labor: Flour "Crisis" Appears Temporarily Resolved (see WER 5)

Following the announcement by Lebanon's leading flour mill owners that in anticipation of a forced shut-down they were giving notice to their 1,200-odd employees, a spokesman of the Ministry of National Economy referred to this threat as a "maneuver" to force the Government to change its "free import policy" on flour. This was immediately denied by the mill owners' syndicate, which stated that the owners would be unable to continue in operation as long as the lower priced flours sell at 21 piastres (8.6¢) a kilo c.i.f. Beirut, while wheat costs 24 piastres per kilo. (The low price of flour is attributed to the recent importation of considerable quantities of this commodity from Finland, France, Italy and West Germany.) Also last week, pressure was exerted on the Government by the mill employees, who threatened a strike if the dismissal notices were not withdrawn.

OFFICIAL USE ONLY - As the result of these combined pressures, the Government has apparently been forced to retreat. Nabil GHOSN, Vice President of the Federation of Independent Trade Unions, which has been acting as spokesman for the still unlicensed flour mill workers, has informed the Embassy that the Ministry of National Economy first offered to assign the millers a 1960 guaranteed wheat quota equivalent to 120,000 metric tons of flour, pointing out that the 12 major flour mills had flourished on 104,000 tons of flour in 1959. Under this arrangement, no change would have been made in the existing 4 piastre per kilo import duty on flour. According to Ghosn, this offer was rejected, whereupon the Government yielded and agreed to an increase in the duty on imported flour from 4 to 6 piastres per kilo (the millers having asked for an increase of 4 piastres). With a promise from the Ministry that a decree to this effect would be issued within the next few days, the employees have suspended their strike threat, and it is assumed the millers will withdraw their dismissal notices as soon as the Government's action is made official.

LIMITED OFFICIAL USE - Comment: Wheat Office Director Elie TOUMA has informed the Embassy that no import license for flour has been issued since February 4, indicating that the millers were well on their way to winning this round in the

CONFIDENTIAL

0063

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

CONFIDENTIAL

Page 4
Despatch 471
From Beirut

perennial battle with the flour importers when their demand for an increase in the duty was made. It seems likely, however, that the importers, who include among their members individuals who wield considerable influence in Government circles, have not had their final say in the matter, especially if the Government should prolong its suspension of flour imports. (Between May 18 and December 8, 1959, issuance of flour import licenses had been suspended by Government decree. Although no new licenses for flour imports were actually issued during that period, the importers managed to bring in over 30,000 tons of flour which had been conveniently licensed just before the ban took effect.) It further appears that an increase of 2 piasters in the tariff will tend to have a greater effect upon the importation of U.S. flour than on the much lower priced European varieties, since the profit margin on the former from port to retailer currently totals only about L.P. 2.25 and no substantial increase in the price of U.S. flour at the retail level seems possible.

IV. UNCLASSIFIED - Government Policy: Arab Education Conference Opens in Beirut

Lebanese Minister of Education Fouad BOUTROS on February 9 officially opened a conference of the representatives of the various Arab Ministries of Education. The meeting has attracted delegates from all Arab countries except Saudi Arabia. Mr. Boutros welcomed the delegates in a short opening speech, which was followed by the election of Mr. Fouad SAWAYA, the Director-General of the Lebanese Ministry of Education, as chairman of the conference. The meeting is being held at the UNESCO headquarters in Beirut. It is expected to devote most of its time to a discussion of various means of changing the methods of teaching now in practice in Arab schools and the general needs of the Arab states in the educational field.

V. UNCLASSIFIED - Foreign Trade: Beirut Port Activity in January Up Slightly (See W.E.R. 49)

After a sharp drop in port activity in November, 1959, when total tonnage dropped to 113,886 metric tons, the December figure jumped back to a total of 159,231 metric tons. This consisted of unloadings of 133,384 and loadings of 25,847 metric tons. The January, 1960, figures also reveal a thriving port activity. January port movement totaled 160,357 metric tons, composed of unloadings of 136,985 and loadings of 23,372 metric tons, a very slight increase over the previous month, but well above the January, 1959 total of 134,555 metric tons.

Comment: Transit movement through the Port of Beirut, however, remains roughly half as great as it was in 1957. Total transit movement in December, 1959, for example, totaled only 27,035 metric tons, compared with the 53,000 metric tons in December of 1957.

VI. UNCLASSIFIED - Agriculture: Representatives of the Soybean Council of America Visit Beirut

Howard L. ROACH, President of the Soybean Council of America, and Dr. Fred R. MARTI, head of the Soybean Council's Rome office, visited Lebanon February 9-11.

CONFIDENTIAL

0064

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

CONFIDENTIAL

Page 5
Despatch 471
From Beirut

During the three days, they held extensive discussions with members of the School of Agriculture of the American University of Beirut (AUB), were received by the Minister and Director-General of the Ministry of Agriculture, and visited several oil extraction plants and poultry farms in the surrounding country.

OFFICIAL USE ONLY - Comment: Lack of P.L. 480, Title I, currency in Lebanon was probably instrumental in preventing the conclusion of a definite soybean market development agreement between the Soybean Council and AUB. It is believed that the visit was nevertheless profitable and should facilitate the programming of the local currency equivalent of about \$5,000, which is expected to be available for use in Lebanon by the Soybean Council during FY 1961.

VII. UNCLASSIFIED - Agriculture: Seed Pathology Conference Opens in Beirut

The Third International Conference on Seed Pathology was opened in Beirut on February 8 by Minister of Agriculture Fuad NAJJAR. Delegates from ten countries are participating in the meeting, which is expected to last for some six days. The conference is being held at the American University of Beirut and its goal is to develop and standardize laboratory seed testing methods.

VIII. UNCLASSIFIED - Finance: Customs Receipts in January Back to Normal (See W.E.R. 1)

After reaching an all-time high in December of L.L. 9,485,000, customs receipts in January dropped back to the more normal figure of L.L. 8,160,000. The latter figure is still higher than any monthly figure during the first three quarters of 1959, and compares with the January 1959 total of L.L. 6,194,000. The continuing high level of customs receipts at the Port of Beirut contributes to the business optimism evident in Beirut commercial and financial circles.

IX. UNCLASSIFIED - Aviation: Developments in Civil Aviation Discussions

The Chairman of the Lebanese Civil Aviation Council has announced that at a meeting held on February 6, the Council decided to request the Lebanese Ministry of Foreign Affairs to ask the Sudanese Government to grant passenger traffic rights to a Lebanese carrier between Cairo and Khartoum. In exchange, the Lebanese Government is prepared to authorize a Sudan air carrier traffic rights between Cairo and Beirut.

Mr. Fuad CHADER, Lebanese Director of Communications and Civil Aviation, recently announced that a high-ranking Lebanese Foreign Ministry official will go to Baghdad and Tehran in the near future to conduct civil aviation discussions as a preliminary, it is hoped, to the negotiation of a permanent civil aviation agreement with each country. Mr. Chader also announced the arrival on February 10 of an Italian civil aviation delegation which will renew civil aviation discussions with Lebanese officials. The chances for a successful conclusion now appear to be brighter.

CONFIDENTIAL

0065

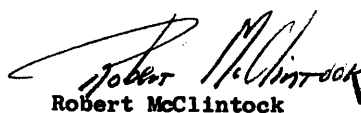
DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

CONFIDENTIAL

Page 6
Despatch 471
From Beirut

X. UNCLASSIFIED - Foreign Trade and Economic Relations: Japanese Commercial Delegation in Beirut

After visiting Damascus, a delegation of Japanese businessmen, largely cotton and textile dealers, arrived this week in Beirut for discussions with Lebanese Government officials, industrialists and businessmen. According to press reports, the delegation is attempting to strengthen trade relations between Japan and the Arab states, and specifically to stimulate additional commerce between Japan and Lebanon.


Robert McClintock

Contributors:

MMTurner
HDSnell
LCTihany
CECook

cc: AmEmbassies AMMAN, ANKARA, BAGHDAD, CAIRO, JIDDA, LONDON, PARIS, TEL AVIV, TRIPOLI; AmConsGen ALEPPO, DAMASCUS, DHAHRAN; AmConsulate ADEN, KUWAIT.

CONFIDENTIAL

DECLASSIFIED
Authority NN 949569
By PT NARA Date 7/23/04

Air Pouch

PRIORITY

LIMITED OFFICIAL USE

(Security Classification)

FOREIGN SERVICE DESPATCH

DO NOT TYPE IN THIS SPACE

883A.00/2-1860

FROM : Amembassy BEIRUT

491

DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

February 18, 1960

DATE

REF : CERP Section C, Item 1; Embdesp 471, February 11, 1960

FEB 20 1959

9 For Dept. Use Only	ACTION	DEPT.
	REC'D	IN F OTHER
2-23-60	Com-12	Ref-1 IRC-15 NEA-4 ICA-11 E-7 EUR-5 OSD-2 USIA-10 ARMY-35 NAVY-20 AIR-30 CIA-2

SUBJECT: Weekly Economic Review No. 7 - Lebanon - Week Ending February 18, 1960

Contents

- I. UNCLASSIFIED - Highlights
- II. UNCLASSIFIED - Foreign Aid: (a) First Shipment of USOM Freight Cars Arrives in Lebanon; (b) More Aid Welcomed in Beirut Press
- III. OFFICIAL USE ONLY - Foreign Trade and Economic Relations: Lebanon Will Not Participate in Chicago Trade Fair (see WER 44, 1959)
- IV. UNCLASSIFIED - Agriculture: Drought Situation Worsening (see WER 4)
- V. UNCLASSIFIED - Agriculture: First Locust Swarm of Year Appears in Lebanon
- VI. LIMITED OFFICIAL USE - Industry-Labor: Informal Mediation Efforts Fail in Mobil Oil Dispute (see WER 6)
- VII. UNCLASSIFIED - Industry-Labor: Strike Threat by Electricity Workers
- VIII. UNCLASSIFIED - Aviation: (a) Resumption of Lebanese Civil Air Negotiations with Iran and Iraq; (b) Civil Aviation Agreement between Lebanon and Italy Signed

I. Highlights

Much of the attention of the Beirut press this week was devoted to the explosion of the first French atomic bomb and the subsequent demonstrations in various parts of the world against the French decision to explode the bomb. The unexpected arrival and tour of the Syrian province of the UAR by President Gamel Abdel NASSER is receiving headline treatment in the Lebanese press, along with the increased tension between Israel and her Arab neighbors.

RPSmith/bm

REPORTER

LIMITED OFFICIAL USE

ACTION COPY - DEPARTMENT OF STATE

The action office must return this permanent record copy to RM/R files with an endorsement of action taken.

MAR 1 7 1960

FILED

CLASSIFIED FILE

DECLASSIFIED

Authority NND 940569

By [] NARA Date 7/23/04

LIMITED OFFICIAL USE

Page 2
Despatch 491
From Beirut

II. UNCLASSIFIED - Foreign Aid: (a) First Shipment of USOM Freight Cars Arrives in Lebanon

Twenty-seven freight cars, the first in a series of shipments of rolling railway stock which is scheduled to be provided to Lebanon under a USOM grant designed to help modernize the Lebanese railway system, were unloaded on February 16 at the Port of Tripoli. Acting USOM/L Director William Hayes was present, along with several other USOM and Lebanese Government and railway officials. The twenty-seven pieces of equipment, consisting of twenty-five flatcars and two boxcars, were purchased in France with USOM funds. Subsequent shipments of railway rolling stock are scheduled to arrive in Lebanese ports in March and April. A total of 99 boxcars, 50 flatcars and 4 diesel locomotives will be brought to Lebanon under the program. The Beirut press gave prominent coverage to the occasion, which resulted in very favorable publicity for the United States.

OFFICIAL USE ONLY - Comment: Prime Minister Rashid KARAME, a Tripolitanian, also capitalized personally on the event by having the equipment unloaded at Tripoli rather than Beirut.

UNCLASSIFIED - (b) More Aid Welcomed in Beirut Press

Beirut newspapers this week also gave prominent treatment to the announcement by the Rockefeller Foundation in New York that it had appropriated \$36,000 for the American University of Beirut to aid in the development of a graduate research program in neurophysiology. Another grant of \$115,000 by the Rockefeller Foundation will indirectly involve Beirut. That is the grant for the compilation in Beirut of an English-Arabic dictionary.

Formal press announcements also appeared this week in the Beirut press concerning the signing of the agreement in Washington by the Development Loan Fund and the chairman of the board of directors of the Societe d'Electricite d'El-Bared du Liban for a DLF loan of \$500,000 to aid in the reconstruction of a power plant which was damaged during the disturbances of 1958.

III. OFFICIAL USE ONLY - Foreign Trade and Economic Relations: Lebanon Will Not Participate in Chicago Trade Fair (see WER 44, 1959)

Despite a personal visit to Beirut last November by Mr. Vilas JOHNSON, the Director of the Chicago International Trade Fair, the Lebanese Government has decided not to participate in the coming Chicago Trade Fair. According to Mr. Abdul Wahid RIFAI, the Director of the Lebanese Chamber of Commerce, the initial cost of transporting the exhibit and equipping the Lebanese pavilion is the reason for the negative decision. No official announcement to this effect has yet been made, however.

LIMITED OFFICIAL USE

0068

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

LIMITED OFFICIAL USE

Page 3

Despatch 491

From Beirut

IV. UNCLASSIFIED - Agriculture: Drought Situation Worsening (see WER 4)

Officials in the Ministry of Agriculture have announced that the continuing acute shortage of rainfall and snowfall is almost certain to affect seriously the production of electric power and the agricultural situation next summer. The flow of water in mountain streams used in the production of electricity has dropped drastically, and the amount of rainfall and snowfall to date is substantially less than it was last year. Minister of Agriculture Fuad NAJJAR has reportedly appointed an emergency committee to deal with the increasingly serious drought situation.

LIMITED OFFICIAL USE - Comment: Lebanese officials, growing more and more concerned over the drought, are continuing to press Embassy officers for an early decision on their request for PL 480, Title II wheat.

V. UNCLASSIFIED - Agriculture: First Locust Swarm of Year Appears in Lebanon

The first locust invasion of the year appeared on February 17 near the village of Markaba in the Marjayoun area of South Lebanon. Experts of the United States Department of Agriculture's Regional Insect Control Project accompanied Lebanese agricultural officials to the scene and reported that the swarm was very small and occupied an area of only one-fourth of a square kilometer. The swarm can be controlled easily with available ground equipment of the Lebanese Ministry of Agriculture. An earlier request from the Lebanese Army for a helicopter to assist in combatting possible locust invasions was made on February 16, but the U.S. experts agreed that the situation now is not serious and does not warrant such assistance. These experts foresee no serious locust problem, and Lebanese Ministry of Agriculture officials appear to have sufficient equipment to control the insects without further assistance for the time being.

Comment: Lebanon is not on the normal invasion path of the locusts, but occasionally some swarms are blown across the border from Israel and Syria. Ministry of Agriculture officials are now in the process of setting up an "Intelligence System" to keep close tabs on the movements of the pests.

VI. LIMITED OFFICIAL USE - Industry-Labor: Informal Mediation Efforts Fail in Mobil Oil Dispute (see WER 6)

In an attempt to break the impasse between Mobil Oil of Lebanon and the Mobil Oil Employees Union, a senior staff member of the company arranged a tea at his home on February 17 to which he invited company president Nixon L. BALLARD and his top aides, and union president George S. SACRE and two other union officials. Sacre reports that the meeting produced no results, other than to harden the union's resolution to resume the strike on February 23. Sacre ascribes the failure of the mediation effort to Ballard's "insulting language" and his "threats to close down the operation rather than pay for time not worked."

LIMITED OFFICIAL USE

0069

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

LIMITED OFFICIAL USE

Page 4
Despatch 491
From Beirut

Comment: This latest effort to bring the two parties together comes on the heels of an attempt made last week by the United Unions of Employees and Workers (UUEW), with which the Mobil Oil Union is affiliated, to arrange a meeting with Ballard in an effort to get negotiations started. The company president refused to meet with the UUEW officials on the ground that they were not involved in the controversy. This refusal inspired a UUEW newspaper attack charging Ballard with having stated that he was out to break the union. The article went on to pledge the full resources of the Federation to the Mobil Oil Employees Union and to charge Ballard with responsibility for whatever might ensue if the strike were to resume.

It is difficult at this point to discern how any further attempts to resolve this stalemate prior to the February 23 deadline can be initiated successfully. Unless the Government adopts a much more positive stand than it has up to now, the union is almost certain to walk out again.

VII. UNCLASSIFIED - Industry-Labor: Strike Threat by Electricity Workers

Almost one year from the date of the settlement of its 1959 dispute with the Beirut power generating and tram car company, the Beirut Office of Electricity and Public Transportation Workers and Employees Union has submitted another list of demands backed up by membership authorization to strike on February 29 if no settlement is reached. An affiliate of the United Unions of Employees and Workers (UUEW), the Electricity Workers are asking for 14 instead of the present 13 months' pay per year, inclusion of previous wage increases into the basic wage schedule, reduction in the work-day from 8 to 7 hours for those employed on hazardous jobs, no compulsory retirement prior to age 65, and additional life insurance coverage for selected groups of workers. Negotiations between the company and the union are continuing, with the parent UUEW now having entered the picture.

LIMITED OFFICIAL USE - Comment: Last year's settlement, the best in the union's history, brought surprisingly liberal wage and fringe benefits to the electricity workers, all 1,600 of whom are members of the union (see Embdesp 512, March 2, 1959). UUEW President Gabriel KHOURY privately admits that there is little chance that the union can win the extra month's pay, for the fourteenth month cannot possibly be extended to employees of Government departments. (The Embassy erred in Embdesp 512 in describing the Beirut Office of Electricity and Public Transportation as privately operated; it is nationalized and functions as a Government department.)

It is doubtful that the Electricity Union's formerly vocal Communist minority exerted pressure this year in the formulation of these demands, despite the fact that ex-Communist Assad AKL was recently elected Secretary-General. (AKL now professes to be a Jumblatt Socialist.) The Embassy's information is that the current

LIMITED OFFICIAL USE

0070

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

LIMITED OFFICIAL USE

Page 5
Despatch 491
From Beirut

political struggle inside the union involves the Phalangists and the Jumblatt Socialists. Originally stated in much stronger terms, the demands were modified considerably once the federation entered the picture. It is expected that an agreement will be reached before the February 29 deadline, now that Khoury has taken charge of the negotiations.

VIII. UNCLASSIFIED - Aviation: (a) Resumption of Lebanese Civil Air Negotiations with Iran and Iraq

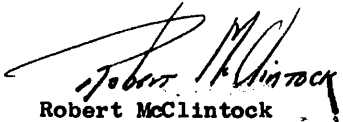
The Director of Economic Affairs of the Lebanese Foreign Office left on February 14 for Tehran and Baghdad for preliminary discussions with civil aviation officials. He will attempt to set a date for the continuation of formal civil aviation negotiations between Lebanon and the two countries.

Commercial air service on the part of the airlines of Lebanon and Iran have been inactive since January 15, 1960, when civil air negotiations between the two countries were interrupted. Since that time, all flights between Tehran and Beirut have been handled by foreign international carriers.

(b) Civil Aviation Agreement between Lebanon and Italy Signed

The Director General of Lebanese Civil Aviation has announced that following civil aviation discussions held last week in Beirut between Italy and Lebanon, complete agreement was reached on all points and a permanent agreement between the two countries was signed on February 13, 1960. Under the new pact, three Lebanese civil airlines will participate in seven weekly services Beirut-Italy as follows: MEA will have three services per week, Beirut-Rome-London, with fifth freedom privileges; LIA will have two services per week Beirut-Milan-Paris-Brussels, without fifth freedom privileges; Air Liban will have one service per week Beirut-Ankara-Rome-Paris, with fifth freedom traffic rights and one service per week Beirut-Rome-Paris without fifth freedom traffic rights.

The Italian airline Alitalia will have one service per week Rome-Nicosia-Beirut-Damascus, without fifth freedom rights, and the following five weekly services with fifth freedom traffic rights: Rome-Athens-Beirut-Tehran, Rome-Nicosia-Beirut-Tehran-Karachi, Rome-Beirut-Tehran-Karachi, Rome-Athens-Beirut-Tehran, and Rome-Athens-Beirut.


Robert McClintock

Contributors:

HDSnell
MMTurner

cc: Amembassies AMMAN, ANKARA, BAGHDAD, CAIRO, JIDDA, LONDON, PARIS, TEL AVIV, TRIPOLI; AmConsGen ALEPPO, DAMASCUS, DHAHRAN; AmConsulates ADEN, KUWAIT

LIMITED OFFICIAL USE

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

Air Pouch
PRIORITY

CONFIDENTIAL

(Security Classification)

DO NOT TYPE IN THIS SPACE

FOREIGN SERVICE DESPATCH

883A.00/2-2560

FROM : Amembassy BEIRUT

514

DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

February 25, 1960

DATE

REF : CERP Section C, Item 1; Embdesp 491, February 18, 1960

FEB 27 1960

15 For Dept. Use Only	ACTION COM-12	DEPT. G-1 L-2 PER-2 PPT-2 OIC-1 MC-1 AF-5
REC'D 3/8	IN F OTHER OCC-2 IN-7 LAB-6 TAR-2 TR-3 FRB-2	REP-1 IRC-15 NEA-4 ICA-11 U/MSC-1 E-7 EUR-5
	USIA-10 OSD-2 ARMY-35 NAVY-20 AIR-30 CIA-10	

SUBJECT: Weekly Economic Review No. 8 - Lebanon - Week Ending February 25, 1960

XMB-4 FAA-5 PG-8

Contents

- I. UNCLASSIFIED - Highlights
- II. UNCLASSIFIED - Industry-Labor: Mobil Oil Dispute Settled (see WER 7)
- III. OFFICIAL USE ONLY - Government Policy: IBM Resisting Arab Boycott
- IV. UNCLASSIFIED - Government Policy: Lebanon Announces Number of Emigrants Residing Abroad
- V. UNCLASSIFIED - Tourism: (a) Revival of Interest in Tourism Planning; (b) Wally Byam Caravan in Beirut
- VI. UNCLASSIFIED - Agriculture: More Locust Swarms in Lebanon (see WER 7)
- VII. UNCLASSIFIED - Foreign Trade and Economic Relations: Lebanese Delegation Leaves for Leipzig Fair (see WER 4)
- VIII. UNCLASSIFIED - Labor: (a) Esso Labor Dispute Intensified; (b) Tramcar Operators on Strike
- IX. UNCLASSIFIED - Civil Aviation: (a) United Arab Airline Decision Postponed; (b) OFFICIAL USE ONLY - Lebanon-Iraq, Iran Air Agreements

I. UNCLASSIFIED - Highlights

Except for the increasingly critical drought situation and the final settlement of the Mobil Oil labor dispute, the economic scene in Lebanon was relatively quiet this week. Considerable press attention was devoted to the proposed division of Beirut into three constituencies, and, farther afield, to President Eisenhower's trip to Latin America.

RPSmith/bm

REPORTER

CONFIDENTIAL

ACTION COPY - DEPARTMENT OF STATE

The action office must return this permanent record copy to RM/R files with an endorsement of action taken.

883A.00/2-2560

CONFIDENTIAL

DECLASSIFIED

Authority NND 949569

By PT NARA Date 7/23/04

CONFIDENTIAL

Page 2
Despatch 514
From Beirut

II. UNCLASSIFIED - Industry-Labor: Mobil Oil Dispute Settled (see WER 7)

A settlement in the bitter Mobil Oil of Lebanon Inc. labor dispute was reached on February 22, one day short of the strike deadline set by the union. Under the terms of the agreement, the Mobil Oil Employees Union agreed:

1. To accept the Company's present method of computing its cost-of-living index and not to question it in the future.
2. To relinquish all pending claims (this includes the union's demands for a 6 percent cost-of-living increase, and pay for the one day strike of January 24).
3. To accept a general wage increase of 4 percent effective January 1, 1960.
4. That no cost-of-living adjustment will be made prior to January 1, 1962, when such an adjustment will be computed on the basis of the annual changes in the company's index for the years 1961-1962.

CONFIDENTIAL - Comment: Although the language in which the agreement is couched gives the initial impression of a defeat for the union, it actually represents concessions by both parties. Mobil Oil has successfully resisted making the payment for the strike day as such, but according to union spokesmen a private understanding was reached by which one-half of one percent of the 4 percent increase is in lieu of the strike pay. The company, as a matter of policy, refused to honor the long established Lebanese custom of strike pay and threatened to subject it to a court test if ordered to do so by the Ministry of Labor and Social Affairs. The union, supported by the parent United Unions of Employees and Workers (UUEW), had no desire to risk an adverse decision on this point, and hence was prepared to make almost any kind of compromise in view of the company's adamant position. The 4 percent increase represents a considerable net gain for the union over the company's original cost-of-living offer of 1.45 percent, although the agreement specifically states that this pay boost does not constitute a cost-of-living increase. The union, despite the language contained in Item 1 above, effectively has countered the company's written statement that it alone could revise, adjust or terminate the index at its discretion. Item 4 of the agreement makes it mandatory that the index be continued at least until January 1, 1962. On the other hand, the union has waived its demand to participate in the compilation and administration of the index in exchange for the 4 percent wage increase.

With the imminent transfer to Cairo of Mobil Oil President Nixon L. BALLARD, the prospect of labor peace is considerably enhanced. There can be no doubt but that the personal antagonism existing between Ballard and union president George S. SACRE was at the bottom of much of the company's labor difficulties. Another hopeful indication of more amicable relations is the agreement itself, which has the effect virtually of freezing wage levels for the next two years.

CONFIDENTIAL

0073

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

CONFIDENTIAL

Page 3
Despatch 514
From Beirut

III. OFFICIAL USE ONLY - Government Policy: IBM Resisting Arab Boycott

The Lebanese representatives of International Business Machines Corporation (IBM) have confirmed to Embassy officers that the Central Boycott Office in Damascus has placed IBM on the boycott of Israel blacklist for "dealings with Israel". The Lebanese office of the boycott, however, has not yet acted, and in an attempt to forestall such action, an IBM representative from Geneva is expected in Beirut this weekend to explain IBM's position in Israel. The Lebanese distributors for IBM appear confident that the blacklisting of IBM results simply from a misunderstanding and that they can convince the boycott officials that the company should not be blacklisted.

OFFICIAL USE ONLY - Comment: The threat of blacklisting comes at a particularly bad time for IBM, since negotiations have been under way in Beirut during the past few weeks to equip the new Lebanese Bureau of Statistics with IBM equipment. If explanations given Embassy officers by local IBM representatives are valid, the Embassy is also inclined to believe that IBM can escape blacklisting and that the action of the Central Boycott Office stemmed from a possibly erroneous report concerning the company's activities in Israel.

IV. UNCLASSIFIED - Government Policy: Lebanon Announces Number of Emigrants Residing Abroad

A subcommittee charged with preparing for the Congres des Emigres scheduled for this summer (see WER 3) has reported that a "census" of Lebanese residing abroad has revealed that there are a total of 1,071,037 such persons residing in foreign countries. These figures allege that there are 400,311 Lebanese emigrants residing in the United States, 304,819 in Brazil, 150,263 in Argentina, 20,022 in Mexico, 20,013 in Cuba, 42,308 in Venezuela, and lists several dozen other countries in which Lebanese emigrants are residing.

OFFICIAL USE ONLY - Comment: Officials of the Lebanese Ministry of Foreign Affairs, who made the information available to the subcommittee, admitted to Embassy officers that these figures include all persons "of Lebanese descent" and would presumably include even third or fourth generation Lebanese whose families have been citizens of the foreign countries for generations. The figures cannot be considered to have any degree of accuracy, therefore. The Lebanese Government places great emphasis on maintaining its ties with Lebanese residing abroad and has always tended to exaggerate their numbers. The remittances from these emigrants flowing into Lebanon have been an important source of foreign exchange, and the Congres des Emigres scheduled for this summer is another attempt to strengthen ties between Lebanon and her emigrants and to "keep the money flowing".

CONFIDENTIAL

0074

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

CONFIDENTIAL

Page 4
Despatch 514
From Beirut

V. UNCLASSIFIED - Tourism: (a) Revival of Interest in Tourism Planning

With the approach of the summer season, a quickening of official and public interest in tourism is becoming noticeable. Two new Lebanese organizations were formed during February to assist the Commissariat General of Tourism in its work. The first one, named the Consultative Council, consists of representatives of the Ministries of Foreign Affairs and of Information, of the Department of Antiquities, plus a number of public figures, including the local director of the American Export Lines. The second Lebanese body, known as the Committee on Evaluating Touristic Sites, is made up exclusively of government representatives, including Pedro DIB, the Director General of the Ministry of Information. A third (and American) auxiliary organization was set up by the Beirut Propeller Club in accordance with a suggestion made by Ambassador McClintock that the club might be able to assist in encouraging tourism in Lebanon. The latter committee includes local American representatives of Time-Life, Pan American Airways and American Colony Tours. A recent article by the Ambassador in the "Middle East Travel and Trade News" on the subject of the Lebanese tourist industry has drawn considerable press comment.

OFFICIAL USE ONLY - Comment: Official Lebanese Government interest in tourism has been rather lackadaisical in the past, and the establishment of the new organizations is not necessarily an indication of a break with the past. One of the main factors militating against the development of Lebanese tourism has been the lack of an adequate budget for tourism. Pedro Dib's presence on one of the new committees may be significant, however, because he allegedly holds the purse strings on publicity by the Commissariat of Tourism. Resistance to accepting American advisory help may also be decreasing. In the course of a recent conversation with the Embassy's Commercial Attache, Director of Tourism Michel TOUMA requested American aid and advice in staffing problems and publicity. In response to his second request, Mr. Touma was given on January 28 the names and addresses of several New York public relations consultants that could assist in publicizing Lebanon's tourist attractions.

UNCLASSIFIED - (b) Wally Byam Caravan in Beirut

Continuing its Capetown to Trieste overland journey, the famed Wally Byam Trailer Caravan arrived in Beirut on February 21 and was met by an Embassy consular officer and officials from the Lebanese security and tourism departments. The Alexandria to Beirut part of the journey is the only part which will be covered by sea. The caravan, consisting at full strength of some 100 Americans and 50 vehicles and trailers, is staying at Beirut in the municipal stadium and is now engaged in sightseeing activities. They expect to depart for Damascus and Amman on March 3.

CONFIDENTIAL

0075

DECLASSIFIED
Authority NND 940569
By ☒ NARA Date 7/23/04

CONFIDENTIAL

Page 5
Despatch 514
From Beirut

OFFICIAL USE ONLY - Comment: Although the arrival at Beirut was marred at dockside by a heated disagreement between the Caravaners and their shipping agents, the difficulties were finally resolved and the group now seems to be very happy. Beirut shopkeepers are reported to be gleefully rubbing their hands together in anticipation.

VI. UNCLASSIFIED - Agriculture: More Locust Swarms in Lebanon (see WER 7)

Additional swarms of locusts appeared in southern Lebanon this week and were immediately attacked by teams from the Ministry of Agriculture. Although Lebanese agricultural officials have indicated that they would welcome an American helicopter to use in the battle against the pests, they also appear to be confident of their ability to handle them with existing ground equipment. The locust situation is not yet serious, although the continuing lack of rain is intensifying the threat. Spraying the swarms has thus far been able to control them, and officials remain hopeful that a rain in the near future will eliminate the problem.

Comment: The drought situation in Lebanon continues to worsen. Official rainfall figures obtained from the Ksara Observatory in Zahle reveal that rainfall from September 1 through February 25 has been only 219.4 millimeters. This compares with 351 millimeters for the same period in 1958-59 and with the 45 year average for the same period of 494 millimeters. The drought is certain to cause an additional shortage of foodstuffs in Lebanon and also to create what could be a serious water shortage this summer. Unseasonably warm weather has also added to the problem.

VII. UNCLASSIFIED - Foreign Trade and Economic Relations: Lebanese Delegation Leaves for Leipzig Fair (see WER 4)

An official of the Ministry of National Economy, Mr. Hassan SABAKEDDIN, departed from Beirut on February 20 to supervise arrangements for the Lebanese pavilion at the Leipzig Fair. Lebanon plans to exhibit apples, citrus fruit, tobacco, textiles and various kinds of handicraft.

Comment: The Lebanese Fruit Office is especially hopeful that the Lebanese exhibition at Leipzig will result in increased sales of its apples and citrus fruit.

VIII. UNCLASSIFIED - Labor: (a) Esso Labor Dispute Intensified

Eight months of fruitless negotiations between the Esso Company and the Esso Employees and Workers Union have resulted in a stiffened attitude on the part of Afif ZINATI, union president, and his executive board. On February 22 Zinati wrote to Esso Manager Gordon MATTHEWS restating his original claims and requesting an answer by March 7. The Zinati letter charges the company with having promised in

CONFIDENTIAL

0076

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

CONFIDENTIAL

Page 6
Despatch 514
From Beirut

writing on October 27, 1959, to provide its employees with three demands: a medical insurance plan, a pension or thrift plan and reclassification of jobs. The company is also alleged to have promised that these claims were to be granted by the first of the year.

Instead of the 5 percent cost-of-living increase requested in 1959, the union is now asking for an 8 percent increase to cover the rise in living costs over the past two years. In addition, it is asking that Esso laborers receive pay for Sundays after one year of service instead of the present five years. The final request is that the company take out workmen's compensation insurance in order to provide higher benefits for victims of work accidents.

OFFICIAL USE ONLY - Comment: Zinati, due to his willingness to continue prolonged negotiations and his desire for amicable relations with the company, has favorably impressed Embassy officers. With no results to show as a result of these marathon talks, pressure from the rank and file of the union is being applied to force a showdown with Esso management. His letter, while couched in polite language, nevertheless makes it clear that the union is prepared to break this dispute into the open by submitting it to the UUEW and to the Ministry of Labor and Social Affairs. Zinati has obviously made every effort to avoid precipitating a public dispute with the company, but unless prompt action by management is forthcoming, he may be expected to take far more aggressive action.

UNCLASSIFIED - (b) Tramcar Operators on Strike

Beirut's antiquated street railway system ceased to function on February 24, when the Beirut Office of Electricity and Public Transportation Workers and Employees Union ordered its members who man the tramcars off the job. The strike does not affect that section of the union's membership employed at the city's power generating plants.

The Electricity Workers, an affiliate of the United Unions of Employees and Workers (UUEW), are demanding two major items: 14, instead of the present 13 months' pay per year, and a reduction in the work day to seven hours for workers holding "hazardous" jobs. The Beirut Office of Electricity and Public Transportation, a government department, is agreeable to the other demands made by the union, but claims that it cannot accede to the 14 months' pay and seven hour day requests. Mediation is being attempted by a member of Parliament and the Ministry of Labor and Social Affairs.

OFFICIAL USE ONLY - Comment: Gabriel KHOURY, UUEW President, has expressed some chagrin over what he considers the union's premature action in calling the strike. He is privately not in accord with the demand for the fourteenth month of pay, agreeing with the company that to do so would require similar treatment

CONFIDENTIAL

0077

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

CONFIDENTIAL

Page 7
Despatch 514
From Beirut

for all other employees of Government departments. This, he agrees, the Lebanese economy cannot stand. Khoury also has little respect for the judgment of Electricity Union President Hares FEGHALI, a somewhat pompous individual reported to harbor political ambitions. The possibility of a settlement has been improved since Khoury himself has taken over the burden of the negotiations.

IX. UNCLASSIFIED - Civil Aviation: (a) United Arab Airline Decision Postponed

The Lebanese Directorate of Civil Aviation has recently announced that Lebanon will reserve, for the time being, its decision regarding the establishment of a United Arab Airline. This decision resulted from a joint meeting of the Lebanese Civil Aviation Council and representatives of the Lebanese airlines. The airline representatives have expressed concern that an United Arab Airline might be detrimental to the interests of the Lebanese civil air carriers unless the headquarters of such an airline were in Beirut.

Mr. Fuad CHADER, Director General of Communications, in discussing the creation of a United Arab Airline, expressed doubt that the proposed company would be formed. Since such a proposal would have to be ratified by all Arab countries, Mr. Chader believes that the unsatisfactory relations existing today between certain Arab countries would make agreement extremely difficult. Mr. Chader added that a further meeting of the Lebanese Aviation Council might be held prior to the Arab League meeting scheduled for Cairo in early March and hoped that the relations between Arab countries would improve to the extent that Lebanon would be able to take an affirmative position toward the creation of an Arab airline.

LIMITED OFFICIAL USE - Comment: While the formation of an United Arab Airline undoubtedly has some merit, the Embassy believes that the basic differences between the various Arab countries are such that the possibility of the formation of a joint Arab airline in the immediate future is remote.

OFFICIAL USE ONLY - (b) Lebanon-Iraq, Iran Air Agreements

Progress appears to have been made toward the reopening of formal civil air negotiations between Iran, Iraq and Lebanon. Mr. Ramez SHAMMAH, Director of the Economic Division of the Lebanese Foreign Office, returned to Beirut on February 23 after a week of preliminary negotiations with officials in Tehran and Baghdad. No official announcement has been made as to Mr. Shammah's findings, but he has informed an Embassy officer that he was able to clear up certain major differences

CONFIDENTIAL

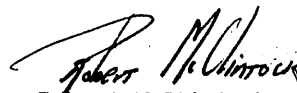
0078

DECLASSIFIED
Authority NND 940569
By ☒ NARA Date 7/23/04

CONFIDENTIAL

Page 8
Despatch 514
From Beirut

and that he believes the reopening of formal civil aviation negotiations between Lebanon and Iran and Iraq can be anticipated in the near future.


Robert McClintock

Contributors:

HDSnell
LCTihany
MMTurner

CC: Amembassies AMMAN, ANKARA, BAGHDAD, CAIRO, JIDDA, LONDON, PARIS, TEL AVIV,
TRIPOLI; Amconsgen ALEPPO, DAMASCUS, DHAHRAN; Amconsulates ADEN, KUWAIT

CONFIDENTIAL

0079

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

AIR POUCH
PRIORITY

CONFIDENTIAL
(Security Classification)

DO NOT TYPE IN THIS SPACE

883a.00/3-360

FOREIGN SERVICE DESPATCH

FROM : Amembassy BEIRUT

529
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

MAR 5 1960
March 3, 1960
DATE

REF : CERP Section C, Item 1; Embdesp 514, February 25, 1960

27 For Dept. Use Only	ACTION	DEPT.
	REC'D	OTHER
	COM-12	REC-1 E-7 NEA-4 EAR-5 ICA-11 IRC-15 S/AE-1
	3-11	USIA-10 A9-8 REC-9 LAB-6 HEW-2 FAA-5 CAB-6

SUBJECT: Weekly Economic Review No. 9 - Lebanon - Week Ending 050-2
March 3, 1960 TAA-2 TR-3 FAB-2 XMB-4 CIA-16 OLS-2

Contents

- I. UNCLASSIFIED - Highlights
- II. UNCLASSIFIED - Agriculture: Locusts under Control but Drought Worsening
- III. UNCLASSIFIED - Foreign Trade and Economic Relations: Libyan Delegation Visiting Lebanon
- IV. UNCLASSIFIED - Communications: Lebanon to Have Second TV Station
- V. UNCLASSIFIED - Atomic Energy: Lebanon to Join International Atomic Energy Agency
- VI. UNCLASSIFIED - Government Policy: Price of Pharmaceuticals Reduced (see WER 3)
- VII. UNCLASSIFIED - Industry-Labor: Textile Plant Foresees Layoff
- VIII. UNCLASSIFIED - Government Policy: Government Clarifies Blacklisting of Films
- IX. UNCLASSIFIED - Labor: Tram Strike Continues
- X. OFFICIAL USE ONLY - Aviation: Soviets and Czechs Continue Efforts to Gain Civil Air Agreement with Lebanon (see Embdesp 278, Nov. 13, 1959)

I. UNCLASSIFIED - Highlights

Beirut newspapers this week gave prominent treatment to the increasingly serious drought situation in Lebanon and to the conclusion of the Arab League Foreign Ministers Conference in Cairo. Most papers appeared to be somewhat disappointed with the results of the conference.

ECON:RPSmith.emh
REPORTER

CONFIDENTIAL

ACTION COPY - DEPARTMENT OF STATE

The action office must return this permanent record copy to RM/R files with an endorsement of action taken.

883A.00/3-360

CLASSIFIED FILE

MAR 31 1960

FILED

DECLASSIFIED

Authority NND 949569

By PT NARA Date 7/23/04

CONFIDENTIAL

Page 2 of
Desp. No. 529
From BEIRUT

The government of Prime Minister Rashid KARAME remains in a strong position and won a 39 to 3 vote of confidence in the Chamber of Deputies on March 1. The economic scene is generally quiet, with a slight levelling off in commercial activity now becoming apparent.

II. UNCLASSIFIED - Agriculture: Locusts under Control but Drought Worsening

On February 26, Minister of Agriculture Fuad NAJJAR announced that the swarms of locusts which had been plaguing Lebanon for the past few weeks have now been completely eliminated. The battle against the pests was aided by some cloudy weather and by scattered showers which, although aiding in the fight against the locusts, were too insignificant and scattered to ease the increasingly serious drought situation. Fruit orchards along the coast have been forced to use irrigation during the winter months for the first time in decades, and dried up springs and streams are reported almost daily. Snow on even the highest mountains is melting rapidly, and ski resorts have reported that the winter tourist season has suffered as a result. Rainfall to date in the agricultural Beka'a Valley has been less than half of normal, while along the coast, rainfall has been slightly higher, although considerably less than normal. The water table in the Beka'a Valley has dropped drastically and the spring which has fed Baalbek since the times of the Phoenicians has dried up.

Comment: Unless heavy snow and rains occur in the next few weeks, Lebanon is certain to face the most serious drought in years.

III. UNCLASSIFIED - Foreign Trade and Economic Relations: Libyan Delegation Visiting Lebanon

Prominent press attention has been given to a group of Libyans who are visiting Lebanon through the courtesy of Air Liban. They have been given the red carpet treatment, including audiences with President CHEHAB and a lavish dinner by the prominent Lebanese businessman - Deputy, Emile Boustany, whose construction firm is already working in Libya.

OFFICIAL USE ONLY - Comment: Boustany and other Lebanese businessmen, even at this distance, can apparently smell the Libyan oil money. Articles stressing the opportunities existing in Libya for Lebanese businessmen have appeared recently in the press, some of them advocating a stepped-up Lebanese emigration to that country. Already strong, Lebanese interest in Libya is certain to increase as Libyan income rises.

CONFIDENTIAL

0081

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

CONFIDENTIAL

Page 3
Despatch 529
From BEIRUT

IV. UNCLASSIFIED - Communications: Lebanon to have Second TV Station

A Government decree appearing on February 27 announced its approval of the creation of a second television station in Lebanon, to be called "Télévision du Liban et du Levant, S.A.L." The new station, among whose owners are Emile BOUSTANY and Rushdi MAALOUF, is expected to be in operation before the end of 1960.

Comment: The new station intends to capitalize on the now booming television industry here. There are now approximately 12,000 receiving sets in operation in Lebanon, with sales increasing every day. Despite early difficulties, the existing television company, in operation only since last May, had operating costs of approximately \$9,000 last November, while its gross income totaled approximately \$30,000.

V. UNCLASSIFIED - Atomic Energy: Lebanon to Join International Atomic Energy Agency

When reminded that the bilateral atomic energy agreement between the United States and Lebanon, signed on July 18, 1955, would expire on July 17, 1960, an official of the Lebanese Foreign Ministry stated that it was the Government's policy to work through international organizations, if possible, rather than negotiate or renew bilateral agreements. Therefore, since the bilateral would not provide Lebanon with benefits which it could not achieve under the multilateral, the Foreign Office would request the Council of Ministers to approve Lebanon's participation in the international agency.

Comment: According to information received as of this writing, a recommendation to this effect has been prepared and is now awaiting the Foreign Minister's signature before transmission to the Council of Ministers.

VI. UNCLASSIFIED - Government Policy: Price of Pharmaceuticals Reduced (see WER 3)

Minister of Health Pierre GEMAYEL has announced that, as of March 1, the price of medicines will be lowered further, in addition to the 70% reduction of the price level on some items already obtained. The Minister attributed this achievement to the Government's relentless campaign against black market practices and especially against importers who falsify their invoices. Mr. Gemayel pledged a continuation of the fight against the high prices of pharmaceuticals and categorically stated that "the possibility of blackmarketing of medicines has been eliminated."

CONFIDENTIAL

0082

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

CONFIDENTIAL

Page 4
Despatch 529
From BEIRUT

OFFICIAL USE ONLY - Comment: The official claim to a 70% (prior to March 1) reduction in the price of pharmaceuticals is an exaggerated one, but the fact remains that prices have dropped, in some instances substantially, and that the Government is cracking down on unethical importers. The press reported last week the indictment of a pharmaceutical importer who, upon being officially requested to submit his invoices for the past several months, sent instead, in an envelope addressed to the Chief of Service, Control of Pharmacies in the Ministry of Health, five one-hundred pound banknotes (\$157.23). The renewed severity of the Government's campaign is due to a large extent to a citizens' committee functioning under the energetic chairmanship of Deputy Reda Wahid, M.D., who is also Chairman of the Parliamentary Committee on Public Health. Further measures to lower the price of medicines are envisaged by means of a pharmaceutical manufacturing plant to be established in Lebanon with French aid. Conversations concerning this joint Franco-Lebanese venture have taken place between the Minister of Health and the French Commercial Attaché.

VII. UNCLASSIFIED - Industry-Labor: Textile Plant Foresees Layoff

The Arida textile mill, located in Tripoli, has informed the Ministry of Labor and Social Affairs that it is contemplating a reduction in its work force due to its inability to dispose of its manufactured goods. Arida gave as its reasons for the possible reduction (a) the continued influx of smuggled textiles, and (b) the lack of adequate tariff protection.

According to the Director of Customs, tighter controls will be exercised on smuggling, but tariffs on imported fabrics cannot be increased at this time due to the fact that an increase was granted only a few months ago to protect the manufacturers from subsidized production in the UAR, Czechoslovakia and Communist China. (See Embdesp 207, Oct. 1, 1959).

OFFICIAL USE ONLY - Comment: In a recent conversation with Mr. Georges ARIDA, Jr., Embassy officers learned that the Arida mills were working on two shifts a day and that their toweling production was on a three-shift basis. At that time, Mr. Arida stated that the production of his mill was sufficient to satisfy all Lebanese requirements and that undoubtedly some of his textiles were being exported, although he did not know where.

The recent increases in the customs tariff on imported textiles varied from 25 to 75 piasters per kilo, hardly sufficient to bridge the gap between the low cost of imported fabrics, averaging about 45 piasters a meter, and the Arida production cost of 100 piastres per

CONFIDENTIAL

0083

DECLASSIFIED
Authority NNP 949569
By PT NARA Date 7/23/04

CONFIDENTIAL

Page 5
Despatch 529
From BEIRUT

meter. The reason that the tariff was not increased substantially several months ago was due to a furor raised by the importers who had been enjoying large profits from the "dumped" goods, with the consequence that a very moderate increase in the tariff was granted as a compromise. Since any substantial layoffs in the textile industry could have severe repercussions, another compromise is likely to head them off.

VIII. UNCLASSIFIED - Government Policy: Government Clarifies Blacklisting of Films

The Ministry of National Economy this week notified theatre owners in Lebanon that they could exhibit films which have been placed on the Boycott of Israel blacklist only if contracts for renting the films were signed prior to the date of blacklisting.

Comment: The Embassy has not yet received any complaint from the local representatives of American film companies over the blacklisting of certain films and American stars.

IX. UNCLASSIFIED - Labor: Tram Strike Continues

The strike of Beirut tram car workers, called on February 24, is continuing despite efforts by Minister of Public Works Pierre GEMAYEL and Deputy Joseph CHADER, Chairman of the Parliamentary Finance Committee. Both Government officials continue to oppose granting the Beirut Office of Electricity and Public Transportation Workers and Employees Union its principal demand, 14 instead of 13 months pay per year. They contend that if this demand is granted, a similar wage adjustment must be made in the pay of all other Government employees, which they estimate would cost LL. 20 million per year. The Electricity Union is holding firm, despite the moderating influence of Gabriel KHOURY, President of the United Unions of Employees and Workers (UUEW) to which the Union is affiliated.

The legality of the strike notice has also been injected into the situation. Officials of the Ministry of Labor and Social Affairs question the method the Union took in notifying the Ministry of its intention to strike. According to local custom, if the Labor Ministry decides that proper advance notice of a strike has been given, the strike then becomes a legal one and the employer is required to pay for all time spent on strike. Khoury is reluctant to come to grips with this issue until a settlement is reached on the Union's demands.

Sa'di Al Munla, Chairman of the Board of Directors of the Beirut

CONFIDENTIAL

0084

DECLASSIFIED
Authority NND 949569
By ☒ NARA Date 7/23/04

CONFIDENTIAL

Page 6
Despatch 529
From BEIRUT

Office of Electricity and Public Transportation, has issued a statement purporting to show that his employees enjoy far more benefits and higher pay than workers in other Government departments, and he calls on the Union to await the result of a study of the Department's operations now being made by "experts."

CONFIDENTIAL - Comment: Khoury, unhappy with the Union's handling of the dispute, heads a committee from the UUEW now charged with sole responsibility for bargaining with the Department. There is sentiment for a revision of the Federation's by-laws requiring affiliated unions first to receive the approval of the UUEW before giving strike notice. The top level negotiating committee, aware of the unpopularity of the strike, appears to be anxious to arrive at a settlement, but feels that it must salvage something of the Union's demands before doing so.

The Ambassador has been assured by President CHEHAB that he will operate the power generating plant with troops if the Union extends the strike to include its members employed there. Such a drastic measure most probably will not be necessary in view of the serious efforts being made to end the walkout.

Electricity Union President Hares FEGHALI, according to a member of the Union's executive board, is at odds with Minister Gemayel. Both are Phalangists, and Gemayel, as boss of the Party, has taken Feghali severely to task for bowing to his Executive Board's insistence that the strike be called. The Board, in turn, is reputed to be composed of a majority of Jumblatt Socialists who have insisted on these extreme demands as a means of embarrassing Gemayel and of advancing the personal interests of their chief, Kamal Jumblatt, who is engaged in a running controversy with the Public Works Minister. Now that Feghali has taken his stand, it may well be that he will have forfeited the support of his Party in the event he seeks political office. He is widely credited with an ambition to be the first labor member of Parliament.

X. OFFICIAL USE ONLY - Aviation: Soviets and Czechs Continue Efforts to Gain Civil Air Agreement with Lebanon (See Embdesp 278, Nov. 13, 1959)

There have been more press reports this week that the Soviets and Czechs are continuing their efforts to negotiate civil air agreements with Lebanon. Such reports are supported by the fact that a responsible

CONFIDENTIAL

0085

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

CONFIDENTIAL

Page 7
Despatch 529
From BEIRUT

official of the Czechoslovak civil airline has been in Beirut for several weeks, apparently for the purpose of pressing the Czechs' case. The Embassy has also been informed that members of the Soviet Embassy in Beirut are periodically making representations to the Government of Lebanon urging that consideration be given to arranging a civil air agreement between Lebanon and the U.S.S.R., and that the matter is under consideration in the Lebanese Foreign Ministry.

Comment: It can be expected that the Soviet Bloc countries and the U.S.S.R. will continue and intensify their efforts to establish civil aviation relations with Lebanon. To counteract such efforts, the Embassy has made and will continue to make direct representations, when considered appropriate, to the Lebanese Foreign Ministry and to other Lebanese officials concerned.


Robert McClintock

Contributors:

THENesbitt
LCTihany
HDSnell
MMTurner

Copies to: Amembassies AMMAN, ANKARA, BAGHDAD, CAIRO, JIDDA, LONDON,
PARIS, TEL AVIV, TRIPOLI; Amcongen ALEPPO, DAMASCUS, DHAHRAN;
Amconsulates ADEN, KUWAIT.

CONFIDENTIAL

0086

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

Air Priority
PRIORITY

LIMITED OFFICIAL USE
(Security Classification)

DO NOT TYPE IN THIS SPACE

883A.00/3-1060

FOREIGN SERVICE DESPATCH

FROM : Amembassy BEIRUT

547
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

March 10, 1960

REF : CERP Section C, Item 1; Embdesp 529, March 3, 1960

DATE
MAR 16 1959

9 For Dept. Use Only	ACTION Com-12 REC'D 3-18-60	DEPT. IN F O R OTHER Rf-1 IRC-15 NEA-4 E-7 ICA-11 EUR-5 OSD-2 NSIA-10 ARMY-35 NAVY-20 AIR-30
----------------------------	--------------------------------------	---

SUBJECT: Weekly Economic Review No. 10 - Lebanon - Week Ending March 10, 1960

Contents

- I. UNCLASSIFIED - Highlights
- II. UNCLASSIFIED - Foreign Trade: Transit Agreement to Become Operative
- III. UNCLASSIFIED - Government Policy: More U.S. Firms Added to Arab Boycott Blacklist (see WER 8)
- IV. UNCLASSIFIED - Government Policy: (a) Duty on U.S. Flour to Be Lowered; (b) New Tough Policy on Pharmaceuticals Goes into Effect at Customs (see WER 9)
- V. UNCLASSIFIED - Agriculture: Rain Welcomed in Lebanon (see WER's 8 and 9)
- VI. UNCLASSIFIED - Foreign Economic Relations: Arab League Economic Council
- VII. UNCLASSIFIED - Petroleum: (a) Medreco's Contract with Mobil Oil and Caltex Criticized Again; (b) LIMITED OFFICIAL USE - Lebanese Importer of Soviet Bloc Fuel Oil Desires Sunoco Tie
- VIII. UNCLASSIFIED - Foreign Trade: Beirut Port Activity Climbs Again in February (see WER 6)
- IX. UNCLASSIFIED - Finance: Customs Receipts Drop in February (see WER 6)
- X. UNCLASSIFIED - Labor: (a) No Break in Beirut Tram Strike (see WER 9); (b) Strike Vote Taken at Arida Plant

RPSmith/bm

REPORTER

LIMITED OFFICIAL USE

ACTION COPY - DEPARTMENT OF STATE

The action office must return this permanent record copy to RM/R files with an endorsement of action taken.

APR 6 - 1960

FILED

L W CLASSIFIED FILE

883A.00/3-1060

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

LIMITED OFFICIAL USE

Page 2
Despatch 547
From Beirut

I. UNCLASSIFIED - Highlights

Highlighted in the news this week were the long-awaited rains which eased somewhat the drought situation and the squabble in the Chamber of Deputies over the new electoral law and the forthcoming elections. Considerable press attention was also devoted to the visit to the United States by Israeli Prime Minister BEN GURION and specifically to the meeting between Secretary Herter and the Arab ambassadors in Washington concerning the Ben Gurion visit. Almost as welcome as the rain was the news from Damascus that President NASSER had agreed to ratify the long-dormant transit accord between the UAR, Lebanon, Jordan and Saudi Arabia. Port activity climbed again in February, and commercial activity remains at a high level.

II. UNCLASSIFIED - Foreign Trade: Transit Agreement to Become Operative

According to press stories on March 9, the UAR has now ratified the Transit Agreement which was initialed in Damascus on December 9, 1959. The press reports indicate that the Agreement was ratified on the 8th of March when President Nasser of the UAR signed a decree of approval.

OFFICIAL USE ONLY - Comment: The Agreement, affecting the movement of goods and persons between Lebanon, the northern province of the UAR, Jordan and Saudi Arabia, is considered to be very important to the economy of Lebanon, since most of the goods which will transit the countries involved will enter the Middle East through the Beirut port. The Agreement provides that it will come into effect ten days after the third ratification has been deposited with the Arab League Office in Cairo. According to Lebanese officials, Jordan and Saudi Arabia have already ratified. Although the Agreement had the previous approval of the Lebanese Council of Ministers, Lebanon has not yet acted formally.

The Director-General of the Ministry of National Economy, Abdel Rahman TAYARA, has informed an Embassy officer that Lebanon has not yet been officially notified of the UAR's ratification. The Embassy has been informed by Foreign Office officials that as soon as the Government of Lebanon has been officially advised of the UAR ratification, it will initiate action to have the Agreement ratified by the Lebanese Parliament.

The real benefits accruing to Lebanon from the implementation of the Agreement cannot be foretold at this time. The political climate existing between the four nations will, in the last analysis, determine the extent to which the Agreement is implemented. Nevertheless, the commercial sector of the Lebanese community is indicating some optimism, which was reflected in an increase in the shares of the port company following press reports of the UAR's ratification.

LIMITED OFFICIAL USE

0000

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

LIMITED OFFICIAL USE

Page 3
Despatch 547
From Beirut

III. UNCLASSIFIED - Government Policy: More U.S. Firms Added to Arab Boycott Blacklist (see WER 8)

Despite attempts by the Lebanese representatives of International Business Machines World Trading Corporation (IBM) to convince Lebanese officials that the firm should not be placed on the Boycott of Israel Blacklist, the Ministry of National Economy this week announced that IBM had been blacklisted. No details were given in the press announcement, and the official decree has not yet appeared. According to press reports, "Helena Rubenstein", a U.S. manufacturer of cosmetics, has also been placed on the blacklist.

OFFICIAL USE ONLY - Comment: The official announcement by the Lebanese authorities follows by some two weeks the same action by the Central Boycott Office in Damascus. Local IBM representatives have informed the Embassy, however, that Egyptian pressure is being brought to bear upon the Central Boycott Office in Damascus to request the Arab governments to delay blacklisting the firm until March 30. The Egyptians, who reportedly have two Army officers currently in the U.S. for discussion with IBM, are reportedly miffed at the speed with which the Central Office acted and somewhat embarrassed, since the UAR Army records are maintained on IBM equipment. Company officials remain confident that the firm will soon be removed from the blacklist.

IV. UNCLASSIFIED - Government Policy: (a) Duty on U.S. Flour to Be Lowered

In a surprise decision reported by the press on March 5, but thus far not announced in an official decree, the Council of Ministers has decided to cancel the recent (see Embdesp 517, February 29, 1960) increase in the duty on imported flour from 4 piasters (\$0.0126) to 6 piasters (\$0.019) per kilo and to reestablish the previous duty of 4 piasters per kilo.

OFFICIAL USE ONLY - Comment: A check with the Lebanese Wheat Office has confirmed that the press report is correct and that an official decree lowering the duty on flour is to be published shortly. The Wheat Office informant has also revealed that the new low 4 piasters per kilo duty will apply only to U.S. and Canadian flour and that the 6 piaster rate will remain in effect for all other flour. The immediate result of the new duty will be a favorable, though not decisive, adjustment of the price differential between flour imported from North America and from Europe. (At present one metric ton of U.S. medium grade flour sells for about \$92 c.i.f. Beirut; one metric ton of French or Finnish flour for approximately \$66.)

The reestablishment of the 4 piaster duty level for U.S. and Canadian flour represents a victory for the importers, who are reported to have been the moving force behind a recent threat by the bakers to go on strike unless the Government either raised the price of bread or lowered the duty on imported flour. It is believed that the retention of the 6 piaster duty on other than North American

LIMITED OFFICIAL USE

0089

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

LIMITED OFFICIAL USE

Page 4
Despatch 547
From Beirut

flour has placated the millowners and that temporarily there will be a truce in the traditional three-cornered fight among millowners, importers and bakers.

UNCLASSIFIED - (b) New Tough Policy on Pharmaceuticals Goes into Effect at Customs (see WER 9)

On March 1, new regulations went into effect at the Customs, preventing the removal of pharmaceutical imports unless cleared by the Ministry of Health. The Ministry (in fact, the Minister himself) will grant clearance only for those shipments whose certified invoices (certification must be by the appropriate Lebanese consular authorities abroad) show no difference between the retail sales price in the country of origin and the price to be charged for local consumption. As a result, by March 3, the number of uncleared medicine consignments reached 27. Of the 12 invoices submitted to the Ministry of Health on March 1, only one was cleared. In a meeting between Minister of Health Pierre GEMAYEL, and Georges BAROODY, President of the Syndicate of Pharmacists, it was decided that a 50 percent reduction in the pharmaceutical price level will be obtained in the case of about 100 additional products, some of which have a cortisone base.

Comment: The hardest hit of exporting countries appears to be France, one of Lebanon's largest suppliers, whose export prices are higher than the domestic retail sales price level. French factories are consequently unable to issue invoices showing prices equal to those charged in the home market. To resolve the problem, an official of the French Ministry of Health (a Mr. DELANDE, who is also Secretary of the Chambre Syndicale des Producteurs Francais de Medicaments) has just arrived in Beirut and begun discussions with the Minister of Health.

OFFICIAL USE ONLY - A check now in progress by the Embassy has thus far not found evidence of a substantial price reduction in pharmaceuticals since January 1, 1960. Prices of cortisone and cortisone-base products have dropped by about 40 percent during the past two months, mostly as a result of the fall in world prices. Consumption among the poor (the largest segment of consumers) in Lebanon consists of about 80 percent antibiotics and about 20 percent other medicines. Most antibiotics are imported from the U.S. and are not subject to price controls (including penicillin and streptomycin). The Embassy check appears to indicate a profit margin of about 400 percent still remaining on penicillin and streptomycin. An 18 piaster (\$0.0567) purchase of U.S. penicillin by the Lebanese importer sells for about 75 piasters (\$0.2365) retail in local pharmacies.

V. UNCLASSIFIED - Agriculture: Rain Welcomed in Lebanon (see WER's 8 and 9)

Substantial rainfall and some snowfall in the mountains over a three-day period this week has eased somewhat the growing concern over a serious drought situation in Lebanon. The rainfall, which was general throughout the country, raises the total rainfall from September 1 through March 8 to approximately 240 millimeters. This is still far short, however, of the 402 millimeters which had fallen at this time last

LIMITED OFFICIAL USE

0090

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

LIMITED OFFICIAL USE

Page 5
Despatch 547
From Beirut

year and of the normal rainfall for this time of year of 528 millimeters. The rains this week broke an almost uninterrupted dry spell of 35 days, and although they will help the current winter crops somewhat, the prolonged dry weather is certain to affect adversely this year's crops and may create a serious water shortage in Beirut this summer.

Comment: More rain is badly needed, and Government agencies have already begun to discuss ways and means of easing the water shortage which should become evident in a few months, unless a great deal more rain and snow falls in the interim.

VI. UNCLASSIFIED - Foreign Economic Relations: Arab League Economic Council

Lebanese Government and business circles are following the deliberations of the Arab League Economic Council in Cairo with great interest. Unlike most delegations, which are chaired by officials of medium rank, Lebanon sent as its chairman Philippe TAKLA, the Minister of National Economy.

OFFICIAL USE ONLY - According to information received from reliable Government sources, Minister Takla had high on his worry list a discussion with the UAR on the application of UAR Law No. 196 of September 2, 1959, which if rigidly interpreted would lead to the nationalization of branches of Lebanese banks and insurance companies doing business in the UAR. This particular law has created quite a stir in Lebanese banking circles which are well represented through branches in the northern province. Other items which Takla hoped to discuss are reported to be: a) the exchange of Arab-made goods and the abolition of export and import permits together with tax exemptions thereon; b) further clarification of interpretations which would undoubtedly arise from the implementations of the Transit Agreement (see above); c) industrialization in the Arab world; d) freedom of movement of capital and labor and the right to possess real estate and inherit property; e) amendments to the unified tariff schedules; f) unification in the field of transportation and railway terminology; and g) the creation of an Arab airline and Arab steamship company.

OFFICIAL USE ONLY - Comment: In informing the Embassy of the above agenda items, the Lebanese Foreign Office official remarked wryly that it would be most surprising if 5 percent of the problems were resolved.

VII. UNCLASSIFIED - Petroleum: (a) Medreco's Contract with Mobil Oil and Caltex Criticized Again

According to reports in the local press, a number of Lebanese-owned petroleum distribution companies have lodged a complaint with the Lebanese Parliamentary Oil Committee against the Medreco refinery's refusal to make available to local distributors a monthly allocation of the Medreco output, which includes 84-octane gasoline, kerosene, gas oil and fuel oil. The Lebanese distributors state that the

LIMITED OFFICIAL USE

0091

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

LIMITED OFFICIAL USE

Page 6
Despatch 547
From Beirut

Tripoli refinery owned by the Iraq Petroleum Company (IPC) has agreed to give Lebanese distributors 20 percent of their production, but that Medreco refuses to follow suit. They further state that minutes of the negotiations which preceded Lebanon's agreement with Medreco provided that Medreco would match any allocations made by IPC. According to information received by the Embassy, the matter is now being considered by the Council of Ministers.

OFFICIAL USE ONLY - Comment: The management of both Medreco and Caltex deny that they have ever made an agreement with the local marketers to provide them with 20 percent of the Medreco output. Both companies are willing to make an arrangement with the local marketers based on reasonable requirements. The IPC Tripoli refinery agreement notwithstanding, the local marketers have not drawn down their total allocations, except for fuel oil. The American companies which have exclusive marketing arrangements with Medreco are willing to give the local marketers a reasonable amount of kerosene and gas oil, the quantity to be based on the amount they are currently marketing plus an allowance for increased demand. Insofar as the Medreco 84 octane gasoline is concerned, the American marketers will allow the Lebanese marketers sufficient quantities for their own use but not enough to permit dumping into the tanks of the filling stations belonging to or leased from the American marketers at reduced prices during the hours of darkness. The distribution of the fuel oil output from Medreco poses a difficult and vexing problem, and according to the latest information available to the Embassy, no formula has as yet been evolved for satisfying the desires or the requirements of the local marketers.

LIMITED OFFICIAL USE - (b) Lebanese Importer of Soviet Bloc Fuel Oil Desires Sunoco Tie

George SHAMMAS of Beirut, who last year negotiated a contract with the Government-owned Chamoun power plant to supply it with 70,000 tons of Communist fuel oil and was finally granted an import license for 100,000 tons, is now attempting to break into the local distribution of other refined products under the Sunoco banner. Shammas, who obtained his contract through bribery, was able to offer to the power plant a price considerably below that which either Caltex or Mobil, who obtain their fuel oil from the Medreco refinery, was able to afford. Shammas also made similar offers to the two cement plants at Chekka, which are bound by contract to take fuel oil from the American companies until early 1960. The offer was so persuasive that the American companies had to revise their contracts downward and are now selling at a profit of less than one Lebanese pound per ton. Shammas' latest assault on the Middle East market with cheap Bloc oil has been in the form of an offer to the Hejaz Railway in Jordan. Shammas intends to offload the oil in Beirut and truck it to Jordan.

LIMITED OFFICIAL USE - Comment: The Embassy believes that the Government of Jordan would be ill advised to purchase the Shammas oil for its Government-owned railway. If Shammas is successful in concluding the Hejaz deal, it is believed that Soviet economic penetration efforts in the petroleum field would have taken a significant step forward.

LIMITED OFFICIAL USE

0092

DECLASSIFIED
Authority NND 949569
By ET NARA Date 7/23/04

LIMITED OFFICIAL USE

Page 7
Despatch 547
From Beirut

VIII. UNCLASSIFIED - Foreign Trade: Beirut Port Activity Climbs Again in February (see WER 6)

Beirut port activity increased again in February to a total of 170,046 metric tons, consisting of unloadings of 128,921 and loadings of 41,125 metric tons. The February figures compare favorably with last month's total of 160,464 metric tons and with the February 1959 figure of 111,287 metric tons.

Comment: The big jump in February occurred in loadings, which increased by 17,753 metric tons over the January figure, while unloadings actually dropped slightly. Citrus fruit and apples undoubtedly comprised a significant portion of the increased loadings.

IX. UNCLASSIFIED - Finance: Customs Receipts Drop in February (see WER 6)

Despite the increase in total port activity during the month of February (see above), customs receipts dropped from L.L. 8,160,000 in January to L.L. 7,595,000 in February. This compares with the February 1959 total of 5,527,000 Lebanese pounds.

Comment: The drop is not really a significant one, since the February figure compares very favorably with the monthly totals in 1957 and 1959, except for the booming fourth quarter of 1959 when customs receipts reached an all-time high.

X. UNCLASSIFIED - Labor: (a) No Break in Beirut Tram Strike (see WER 9)

The walkout of Beirut's tramcar workers continues into its fifteenth day, with the bargaining pace now increasing. The special four-man negotiating team from the United Unions of Employees and Workers (UUEW), headed by Federation President Gabriel KHOURY, has scaled down the original demands of the union, with the chief remaining issue being 14, instead of 13 months' pay for a year's work.

High Government officials, including President Fuad CHEHAB, Prime Minister Rashid KARAME, Minister of Public Works Pierre GEMAYEL, and Minister of Labor and Social Affairs Maurice ZOUEIN have met individually with the bargaining team, and the Council of Ministers has met to consider the dispute. They all take the position that the strikers should return to work and await the result of an overall study of Government wages and salaries being conducted by a committee of experts. The Electricity Union counters by insisting that some wage increase be granted, perhaps in the form of a bonus, which later would be offset by any pay increases recommended by the study committee. To this argument the Government spokesmen reply that such a solution would discriminate unfairly against employees of other Government departments. Minister Gemayel has asked the UUEW's Council of Delegates at its meeting of March 10th to order an end to the strike.

LIMITED OFFICIAL USE

0093

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

LIMITED OFFICIAL USE

Page 8
Despatch 547
From Beirut

The organization representing the strikers, the Beirut Office of Electricity and Public Transportation Employees and Workers Union, also speaks for the employees of Lebanon's power generating plants. To counter repeated threats of an extension of the strike to include the power plant workers, the Government has stationed Army technicians at the power installations.

OFFICIAL USE ONLY - Comment: As is normal when an important labor dispute occurs, there is vague talk about a strike of all the unions affiliated with the UUEW. Most observers feel that it is unlikely even that the power plant workers will walk out, although it is conceivable that some union leaders may prevail upon their members to stage a token sympathy strike. Prime Minister Karame and Public Works Minister Gemayel are reported to be at odds over the kind of settlement acceptable to the Government. Karame is inclined to take a firmer line, while Gemayel, perhaps due to Phalangist strength in the Electricity Union, favors a milder approach. One rumor has it that Gemayel has threatened to resign from the Cabinet if a general strike is called, while another is that he will quit if Karame insists on a tough settlement. The union has recently taken a more rigid position, however, thus making any compromise more difficult.

UNCLASSIFIED - (b) Strike Vote Taken at Arida Plant

Employees of the Arida Textile Plant near Tripoli voted on February 7 to take strike action if the union was unsuccessful in prevailing upon the company to rehire discharged workers. Because of what the company terms a too-liberal Government import policy and widespread smuggling, Arida abolished its abbreviated third shift last week. The Textile Workers Union reacted swiftly by calling a membership meeting of its Arida branch and passing a resolution to strike the plant if the company continues to refuse to rehire the workers.

For some time Arida management has been attempting to increase workloads in its mill, but the union has adamantly refused to discuss the issue. After the lay-off, the company announced its intention to add to the workloads and provide extra compensation for the employees so affected.

OFFICIAL USE ONLY - Comment: As a leader in Lebanon's textile industry, Arida typifies the attitude of the mill owners who are dissatisfied with the compromise increasing slightly import duties on cotton textiles. It may well be that other manufacturers will follow Arida's lead in discharging some of their employees, thus reopening the question of higher import duties. Such action is certain to arouse again the opposition of the merchants, who bitterly resisted the previous and relatively mild boost in import duties. In Lebanon there is no system of layoff and recall, nor is the principle of seniority often respected when work forces are reduced. Legislation requires an employer to pay a termination indemnity to a discharged worker in the amount of one month's pay for each year of service. To observe this requirement, the Arida firm must lay out a considerable amount of money.

LIMITED OFFICIAL USE

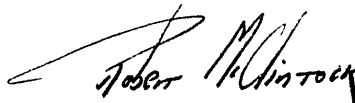
0094

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

LIMITED OFFICIAL USE

Page 9
Despatch 547
From Beirut

Tewfic SALLOUM, Textile Union President, hitherto an advocate of quick strike action, now appears to have changed his attitude and has cautioned the workers to delay carrying out their strike threat. Instead, he has proposed that a tripartite committee drawn from management, the union and the Ministry of Labor and Social Affairs, examine the entire issue and attempt to work out a settlement. If Salloum's proposal is accepted, this will mark a distinct break with the traditional position of the Lebanese trade union movement of resisting all discharges of whatever nature.


Robert McClintock

Contributors:

THENesbitt
LCTihany
HDSnell

cc: Amembassies AMMAN, ANKARA, BAGHDAD, CAIRO, JIDDA, LONDON, PARIS, TEL AVIV,
TRIPOLI; Amconsgen ALEPPO, DAMASCUS, DHAHRAN; Amconsulates ADEN, KUWAIT

LIMITED OFFICIAL USE

RW.

0095

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

Air Priority
PRIORITY

CONFIDENTIAL
(Security Classification)

DO NOT TYPE IN THIS SPACE

883a.00/3-1760

FOREIGN SERVICE DESPATCH

FROM **Amembassy BEIRUT**

559
DESP. NO.

TO **THE DEPARTMENT OF STATE, WASHINGTON.**

March 17, 1960

REF **CERP, Section C, Item 1; Embdesp 547, March 10, 1960**

DATE
MAR 18 1960

35 For Dept. Use Only	ACTION	DEPT.
	REC'D	OTHER
	Com-12	REP-1 LRC-15 E-7 ICA-11 EUR-5 NEA-4
	3-22	USIA-10 OSD-2 ARMY-35 NAVY-20 CIA-16

SUBJECT: **Weekly Economic Review No. 11 - Lebanon - Week Ending March 17, 1960**

Contents

- I. **UNCLASSIFIED** - Highlights
- II. **UNCLASSIFIED** - Government Policy: Another U.S. Firm Awaiting Blacklisting (see WER 10)
- III. **UNCLASSIFIED** - Foreign Economic Relations: Prime Minister Gets Report on Arab League Economic Council Meeting (see WER 10)
- IV. **UNCLASSIFIED** - Government Policy: Fiscal Reform
- V. **UNCLASSIFIED** - Industry: U.S. Aircraft Firm May Locate in Beirut
- VI. **UNCLASSIFIED** - Government Policy: Health Ministry Stands Firm in Fight for Lower Medicine Prices
- VII. **UNCLASSIFIED** - Labor: Beirut Tram Strike Ends
- VIII. **UNCLASSIFIED** - Aviation: (a) Interim Air Agreement Concluded with Iran; (b) Middle East Airlines Purchase of British Comet Jet Aircraft

I. **UNCLASSIFIED** - Highlights

This week was marked by the continuing squabble between the Government and an opposition group over the proposed new electoral law and the holding of spring elections. Israeli Prime Minister Ben-Gurion's visit to the United States continued to receive prominent treatment in the press, along with the conclusion of the Arab League Economic Council meeting in Cairo.

RPSmith/bm

REPORTER

CONFIDENTIAL

ACTION COPY - DEPARTMENT OF STATE

The action office must return this permanent record copy to RM/R files with an endorsement of action taken.

APR 3 - 1960

FILED

LWS

883A.00/3-1760

DECLASSIFIED

Authority NND 949569

By PT NARA Date 7/23/04

CONFIDENTIAL

Page 2
Despatch 559
From Beirut

II. UNCLASSIFIED - Government Policy: Another U.S. Firm Awaiting Blacklisting
(see WER 10)

The Regional Director of the Export Division of the Studebaker-Packard Corporation has given the Embassy a copy of a press release issued by the company at its South Bend headquarters on March 7, announcing that agreement had been reached with Israel to establish an assembly plant in the former Renault plant at Haifa. According to the press release, Studebaker-Packard plans to assemble between 3-5,000 vehicles a year at the Haifa plant.

The Studebaker-Packard representative was informed that there had not yet been any official announcement of the blacklisting of his company, but that under the circumstances, blacklisting could be expected to take place within the near future. Merchandise valued from \$70-80,000 is now being shipped by the company to the Arab world, and it could conceivably have to be returned to the States if the company is blacklisted.

OFFICIAL USE ONLY - Comment: Should the Boycott Office take action against Studebaker-Packard, it will be of interest to see whether or not jeeps on order by the Lebanese Army and spare parts for jeeps now in Army use will be permitted entry.

III. UNCLASSIFIED - Foreign Economic Relations: Prime Minister Gets Report on Arab League Economic Council Meeting (see WER 10)

Minister of National Economy Philippe TAKLA, chief of the Lebanese delegation to the recent meetings in Cairo of the Arab League Economic Council, reported to the Prime Minister on March 14 on the results of the conference. According to Minister Takla, many of the sticky problems concerning the Transit Agreement and other outstanding economic problems between Lebanon and the UAR remain unresolved due to the fact that UAR Minister of National Economy KAISOUNI was in Damascus (with President Nasser) during the Cairo conference. Press reports speculate that Prime Minister KARAME or Takla may attempt to meet with Kaissouni before the latter's return to Cairo.

Of particular interest to Lebanon was the approval "in principle" by the Council of the establishment of an all-Arab pipeline which would terminate in Sidon. Emile BUSTANI, author of the proposal to divert 5 percent of the revenues from such a pipeline to development projects in the Arab world, also attended the meeting as part of the Lebanese delegation.

CONFIDENTIAL - Comment: An Embassy officer was informed by a member of the Lebanese delegation who attended the conference that in general the Lebanese were quite disappointed with the agreements reached and, as predicted earlier by a Foreign Office official, that less than 5 percent of the problems facing the Council were resolved. To date, no information has been made available to the Embassy on the amount of agreement reached on the specific agenda items mentioned in WER 10.

CONFIDENTIAL

0097

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

CONFIDENTIAL

Page 3
Despatch 559
From Beirut

IV. UNCLASSIFIED - Government Policy: Fiscal Reform

The Council of Ministers, in a meeting held late on March 12, agreed that the Ministry of Finance should look into the whole matter of fiscal reform, including the unpopular question of taxes. In a statement issued to the press following the meeting, Sheikh Pierre GEMAYEL, Minister of Health and Public Works, stated that no new taxes were needed in Lebanon, and that Lebanon could meet its fiscal requirements if steps were taken to enforce the laws now on the books and collect the taxes which are due the Government.

OFFICIAL USE ONLY - Comment: It is no secret that there is a great deal of validity in the statement by Sheikh Pierre, since it is a common practice among Lebanese businessmen to keep three sets of books: the first for the head of the business, the second for the Government, and the third for the silent partner. It is highly doubtful that any definitive action will be taken by the Government in this very controversial field until after the forthcoming elections and the creation of a new and probably enlarged Parliament.

V. UNCLASSIFIED - Industry: U.S. Aircraft Firm May Locate in Beirut

Representatives of Babb and Company, Inc. of New York City have been exploring the possibilities of entering the Lebanese market by the establishment of an aircraft parts warehouse facility, a plane leasing facility and ultimately, an aircraft repair and maintenance operation. The Embassy has been informed by the Babb representatives that the company plans to proceed now with the creation of its leasing facility, which would service the Arab world with surplus U.S. piston engined aircraft. One DC-4 has already been leased to Jordan, and the establishment of a spare parts warehousing facility either within the free port area or at the Beirut airport is being examined carefully.

Exploratory conversations have also been held by Babb representatives with Middle East Aircraft Company (MASCO) officials on the possibility of coordinating their operation with MASCO, utilizing the excellent repair facilities that MASCO now has at the Beirut airport.

CONFIDENTIAL - Comment: As a result of a meeting held March 15, 1960, between the chairman of the board of MASCO and the President of Babb and Company, a tentative agreement is being considered which would provide for MASCO to handle Babb and Company's maintenance and overhaul responsibilities on a contractual basis and warehousing and sales facilities for Babb and Company's spare parts inventory. Thought is also being given to a coordinated public relations program pertaining to sales, leasing and maintenance of aircraft in the Middle East. The agreement also would provide that Babb and Company would act as MASCO's agent in the provision of spare parts and related services that may be required by MASCO from the United States. We believe that the MASCO and Babb and Company association offers good prospects for the future and expanded cooperation, and it will be closely followed.

CONFIDENTIAL

0098

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

CONFIDENTIAL

Page 4
Despatch 559
From Beirut

VI. UNCLASSIFIED - Government Policy: Health Ministry Stands Firm in Fight for Lower Medicine Prices

During the past week Minister of Health Pierre Gemayel took three measures in reaffirmation of his stand on the high cost of medicines. He had the Foreign Ministry issue instructions to Lebanese missions abroad to notify foreign exporters of medicine that their products will not be admitted into Lebanon unless their prices are certified by the missions prior to shipment. He rejected a claim of local importers to permit removal of pharmaceutical consignments from the customs without clearance by the Ministry of Health. Finally, he refused to honor the plea of a French representative to admit French medicines without a certified invoice due to the fact that French pharmaceutical factories sell their products in France at a cost "far less than the real cost of the merchandise."

LIMITED OFFICIAL USE - Comment: As reported in Embdesp 555, March 15, 1960, the situation on the pharmaceuticals front has now reached an impasse. Three possible developments may be foreseen: (a) shipments now held in customs may be removed through unconventional methods; (b) the Government may introduce a system of licensing for local production; and (c) joint Lebanese-foreign pharmaceutical plants may be established in the country. In its March 13 issue, the newspaper L'Orient recommended that "foreign firms be encouraged to manufacture, under license, their most up-to-date products in Lebanon." The local representative of a leading U.S. pharmaceuticals producer, with whom an Embassy officer discussed the current situation in his field within the past 48 hours, expressed himself strongly against setting up a plant in Lebanon, but stated his company's interest in establishing a processing and finishing factory in the Free Zone of the Port of Beirut, provided that an advantageous method of incorporation could be found.

VII. UNCLASSIFIED - Labor: Beirut Tram Strike Ends

Lebanon's longest utility strike ended on March 12 when the operators of Beirut's tramcars returned to work. Their walkout began on February 24. While the settlement appeared to bring liberal benefits to the employees of the Beirut Office of Electricity and Public Transportation (OETC), it is still not certain that the Ministry of Public Works will approve the provisions of the agreement in toto. On March 16, Prime Minister Rashid KARAME, Minister of Public Works Pierre GEMAYEL, President of the United Unions of Employees and Workers Gabriel KHOURY, and President of the Electricity Union Hares FAGHALI held their first meeting to obtain the formal agreement of the Government to the published settlement terms. At the conclusion of this meeting, Gemayel issued a statement declaring that the parties were in substantial agreement and that the Government was prepared to accept the union's "legitimate" claims so long as they did not damage the public welfare. Another meeting of the same group is scheduled for March 17.

CONFIDENTIAL

0099

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

CONFIDENTIAL

Page 5
Despatch 559
From Beirut

The terms of the still unratified agreement provide: (a) that a bonus totalling L.L. 300,000 be allocated by the OETC in lieu of the union's original demand for 14, instead of 13, months' pay per year; (b) instead of the former minimum work accident insurance coverage of L.L. 300, the OETC will establish a new minimum of L.L. 8,000 and a maximum of L.L. 30,000; (c) the compulsory retirement age will be raised to 64 years; (d) the OETC will attempt to secure a lower rate for electricity consumed by its employees who reside outside of the Beirut city limits; (e) the employees will receive full pay for the duration of the strike.

OFFICIAL USE ONLY - Comment: The inconvenience suffered by the public has revived demands that Beirut's antiquated tramcars be replaced by buses. This issue first arose last year after the union had reached a peaceful settlement of its dispute with the OETC. Union officials inform the Embassy that they are prepared to renew their 1959 proposal that the Government pay full indemnities to all of its employees engaged in public transportation. The employees then would invest these funds in a cooperative bus company and operate it under appropriate Government controls. The probability is that, if the Government decides to scrap the tramcars, a group of taxi and small independent bus owners would be granted a franchise to operate a bus system.

The trade unions view the settlement provision for strike pay as a victory for the union over the Prime Minister, who had publicly announced his opposition to any strike payment. Any effort to withhold such pay will be resisted strongly, they assert.

The terms of the agreement, if finally approved by the Government, represent the attainment of many of the union's demands, but in view of the new procedure under which the Council of Ministers must grant final approval, the possibility of further controversy must be recognized. Now that the strikers are back at work, it could well be that Karame and Gemayel may be inclined to hedge on approving portions of the tentative agreement "in the public interest." If they do, it is unlikely that Khoury will agree to a resumption of the strike, in view of the fact that sentiment within the UUEW appears to be opposed to further work stoppages wherever they can be avoided.

VIII. UNCLASSIFIED - Aviation: (a) Interim Air Agreement Concluded with Iran

After an interruption of several weeks of civil air communications between Iran and Lebanon which followed the breakdown of civil air discussions between the two countries, the Lebanese Foreign Office has announced that an interim civil air agreement between Lebanon and Iran is expected to be signed in the next few days. This provisional agreement will be for a period of four months and provides for six frequencies per week for the airlines of each country. The six Iranian frequencies will be handled by Iran Air and Persian Air Service (a freight carrier). It is expected that the six Lebanese frequencies will be divided equally between the three Lebanese civil air carriers: Middle East Airlines, Lebanese International Airways and Trans-Mediterranean Airways (TMA), a freight carrier.

CONFIDENTIAL

0 1 0 0
DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

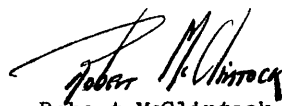
CONFIDENTIAL

Page 6
Despatch 559
From Beirut

OFFICIAL USE ONLY - Comment: The main factor causing the interruption of civil air discussions between Lebanon and Iran was apparently due to the attempt by Ahmed SHAFIK, the Shah's brother-in-law, to have the Iranian Government designate the Lebanese carriers that would be authorized to operate into Tehran. The basis for Shafik's attitude stemmed from his desire to protect his air freight company, the Persian Air Service, from having to compete with TMA (Lebanese freight carrier). The Lebanese negotiators maintained that it was the Lebanese Government's prerogative to designate Lebanese carriers that would be authorized to operate. Apparently, Lebanon has gained its point, for the moment at least, as TMA is being permitted by the Iranians to operate into Tehran.

UNCLASSIFIED - (b) Middle East Airlines Purchase of British Comet Jet Aircraft

Press reports this week announced that Sheikh Najib ALAMUDDIN, chairman of the board of Middle East Airlines (MEA), has won the approval of the British Government for the purchase of four Comet 4C jet aircraft from the De Havilland Company and has made the first payment of 250,000 pounds sterling. The total purchase price is reported to be 7,000,000 pounds sterling, and the first delivery is to be in December of 1960.


Robert McClintock

Contributors:

T.H.E. Nesbitt
M.M. Turner
L.C. Tihany
H.D. Snell

Copies to: Amembassies AMMAN, ANKARA, BAGHDAD, CAIRO, JIDDA, LONDON, PARIS,
TEL AVIV, TRIPOLI; Amconsgen ALEPPO, DAMASCUS, DHAHRAN; Amconsulates
ADEN, KUWAIT

CONFIDENTIAL

0 1 0 1
DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

Air Priority
PRIORITY

CONFIDENTIAL
(Security Classification)

DO NOT TYPE IN THIS SPACE

FOREIGN SERVICE DESPATCH

883a.00/3-2460

FROM : Amembassy BEIRUT

573
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

March 24, 1960
DATE

REF : CERP, Section C, Item 1; Embdesp 559, March 17, 1960

MAR 30 1960

For Dept. Use Only	ACTION	DEPT.
	REC'D	IN F OTHER
	3/31	1RC-15 NEA-4 1CA-11 EWR-5 SCS- CIA-16 USA-10 OCB-2 OSD-2 PR-100-35 NAVY-20

SUBJECT: Weekly Economic Review No. 12 - Lebanon - Week Ending March 24, 1960

AIR-30 AG-8 IN-7 TR-3 FRB-3
WMB-4 TAR-2 LAB-6

Contents

- I. UNCLASSIFIED - Highlights
 - II. UNCLASSIFIED - Government Policy: Lowest Bid by U.S. Company
 - III. UNCLASSIFIED - Agriculture: More Rain Welcomed in Lebanon (see WER 10)
 - IV. UNCLASSIFIED - Economic Development: IPC Payment Earmarked for Development Projects
 - V. UNCLASSIFIED - Petroleum: Tapline Sidon Ship Liftings Show Continuing Decrease
 - VI. UNCLASSIFIED - Finance: (a) Notes on the Foreign Exchange Market;
(b) Currency Issue Remains Unchanged for Fifth Consecutive Month
 - VII. UNCLASSIFIED - Labor: Tram Strike Resumed for Four Hours
-
- I. UNCLASSIFIED - Highlights

Press reaction to the fifteenth anniversary of the Arab League on March 22, ranging from indifference to disgust, included open criticism of the League for its "impotence and inability to show any positive achievements." Domestically, the forthcoming elections in Lebanon continued to occupy the major interest of the press, along with additional rain throughout the area, which increased the chances for a better crop year. A bid by Remington Rand to equip the Lebanese Government's Statistical Bureau was the lowest of four submitted, much to the surprise of the other bidders, which included IBM, one British and one French firm.

RPSmith/bm

REPORTER

CONFIDENTIAL

ACTION COPY - DEPARTMENT OF STATE

The action office must return this permanent record copy to RM/R files with an endorsement of action taken.

883A.00/3-2460

APR 13 1960
FILED

UNCLASSIFIED

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

CONFIDENTIAL

Page 2
Despatch 573
From Beirut

II. UNCLASSIFIED - Government Policy: Lowest Bid by U.S. Company

On March 21 four bids were opened by the Technical Commission in charge of prescribing specifications and selecting machinery for the Government of Lebanon's Statistical Bureau. The bid by Remington Rand was found to be the lowest and that of the British International Computer and Tabulator Company the highest. In between were IBM (which is scheduled for blacklisting effective March 31) and the Bull Company of France. The bids now go to the Minister of Planning, Fouad BOUTROS, who should, according to the rules of adjudication, select Remington Rand as the supplier of the statistical machinery needed by the Government of Lebanon.

CONFIDENTIAL - Comment: The nationality of the successful bidder in the Statistical Bureau adjudication will very likely establish the specifications for statistical machinery in Lebanon for a long time. For this reason the opening of the prices on March 21 was preceded by considerable sparring between U.S. and French business interests, both supported by their Embassies. The French had the inside track, the specifications having been written by them, allegedly around the Bull Company equipment. The low price offered by Remington Rand came as a surprise to everybody, including the Commission. There are indications that an attempt may be made to maneuver the Government of Lebanon out of the "lowest bidder gets the contract" formula. The Embassy is closely watching developments.

III. UNCLASSIFIED - Agriculture: More Rain Welcomed in Lebanon (see WER 10)

High winds during the past few days have brought additional general rainfall throughout the area, as well as some snowfall in the mountains. The Ksara Meteorological Observatory in the Beka'a Valley has informed the Embassy that the total rainfall from September 1 through March 23 has been 289.7 millimeters. This compares with the total of 427 millimeters at this time last year (itself a dry year) and with the normal figure of 556 millimeters. Rain has been heavier in the coastal areas, however. Farmers and Ministry of Agriculture officials are much encouraged by the additional rainfall, but they are quick to add that still more rain is badly needed to salvage those crops which have not already been written off as lost.

Comment: As an indication of how seriously the Government of Lebanon views the possibilities of a drought this year, the Council of Ministers on March 21 transmitted to the Chamber of Deputies a law calling for an appropriation of L.L. 1 million to assist in providing water to rural areas in Lebanon which are likely to suffer this summer from the lack of water.

CONFIDENTIAL

0103

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

CONFIDENTIAL

Page 3
Despatch 573
From Beirut

IV. UNCLASSIFIED - Economic Development: IPC Payment Earmarked for Development Projects

The Council of Ministers on March 21 transmitted to Parliament a request that the L.L. 51.4 million received from the Iraq Petroleum Company (IPC) under the terms of its June 4 agreement last year with the Government be utilized for development projects and public works. Following the action of the Council of Ministers, Minister of Public Works Sheikh Pierre GEMAYEL announced to the press that the money would be utilized in general to raise rural living standards, and to build schools, hospitals, trade schools and other projects designed to keep the farmers in the rural areas and reverse or slow down the shift of population toward urban areas.

Comment: The L.L. 51.4 million payment to the Lebanese Government was payable in three installments. Only the first two have been paid, and a balance of some 1,818,000 pounds sterling remains to be paid this summer.

V. UNCLASSIFIED - Petroleum: Tapline Sidon Ship Liftings Show Continuing Decrease

The ship liftings from the Tapline Sidon terminal for the first three months of 1960 are in striking contrast to the liftings for the first three months of 1959. In January, 1960 ship liftings approximated 10,239,000 barrels, in February 7,206,000 barrels (which includes 124,525 lifted under an IPC exchange agreement), and the forecast for March is only 6,355,000 barrels (which also includes 160,000 barrels to the IPC). For the first three months of 1959 liftings were 11,353,000 barrels, 11,734,000 barrels, and 13,593,000 barrels respectively.

Comment: The continued downward trend in Sidon ship liftings is an indication of the glut of oil and the soft tanker market. If the March forecast is accurate, the ship liftings from Sidon for that month will be less than one-half of Tapline's capacity. Company officials are unwilling to speculate at this time as to what the future portends, but are naturally hopeful that the figures will increase.

VI. UNCLASSIFIED - Finance: (a) Notes on the Foreign Exchange Market

Reflecting in large part the normal seasonal fall-off in business activity at this time of year, Beirut's foreign exchange market was relatively quiet last week and most currencies moved within a narrow range. There were, however, one or two minor developments of some interest, particularly in the Iraqi dinar quotations.

The dinar banknote has been in a more or less continuous decline since early November when it had attained the level of L.L. 8.70. It reached bottom on March 9 when it was quoted at L.L. 8.33. Last week saw at least a temporary check in its fall and by March 21 it had risen gradually to L.L. 8.50. The dinar, export

CONFIDENTIAL

0104

DECLASSIFIED
Authority NNP 949569
By PT NARA Date 7/23/04

CONFIDENTIAL

Page 4
Despatch 573
From Beirut

account, which fluctuates very narrowly on the local market has, on the contrary, been in a very gradual climb since early last fall. Last week the export account dinar broke new ground, rising to L.L. 8.935, the highest level it has attained in many months. (On January 1, 1960 it was quoted at L.L. 8.90 and on March 19, 1959 at L.L. 8.85.) The dollar, transfer account, also inched ahead last week from its recent level of L.L. 3.1825 and on March 21 the dollar closed at L.L. 3.18375. Both Egyptian currencies quoted locally, the Egyptian banknote and the Egyptian pound, non-resident account, fluctuated somewhat erratically, but the end of the week saw no net change, with the former closing at L.L. 6.57 and the latter at L.L. 7.40.

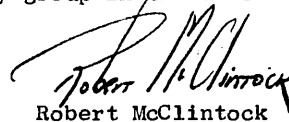
(b) Currency Issue Remains Unchanged for Fifth Consecutive Month

The currency issue of L.L. 400 million has now remained unchanged since October 15. There have also been no variations in any of the elements comprising the currency cover since the increase in the gold content to 85.5 percent during the first two weeks in December.

VII. UNCLASSIFIED - Labor: Tram Strike Resumed for Four Hours

Beirut's tramcar workers, joined by their fellow union members from the power plants, resumed their strike during the morning of March 19 in an effort to pressure the Council of Ministers into ratifying the tentative agreement which ended their 17-day strike. When at noon the Council of Ministers agreed to the terms, the electricity union ordered its members back to work. Power generation continued uninterrupted, having been maintained by army technicians assigned to the plants in anticipation of the stoppage.

OFFICIAL USE ONLY - Comment: The defiant strike of March 19 may be characterized as a display of independence by the Electricity Union. The Jumblatt Socialist and possibly the temporarily quiescent Communist minority within the union is in open rebellion against UUEW President Gabriel KHOURY because of his refusal to countenance a general strike of the thirteen other UUEW affiliates during the previous 17-day strike. Emboldened by their success in the two strikes, this group is now busily attempting to induce the rank and file of the union to withdraw from the federation and organize a federation of electrical workers employed in power plants in Tripoli, Sidon and Zahle. This movement is being vigorously fought by the leaders of the Khoury group in the union and the UUEW itself.


Robert McClintock

Contributors: THENesbitt, ICTihany,
CBCook, HDSnell

cc: Amembassies Amman, Ankara, Baghdad, Cairo, Jidda, London, Paris, Tel Aviv,
Tripoli; Amconsngen Aleppo, Damascus, Dhahran; Amconsulates Aden, Kuwait

CONFIDENTIAL

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

Air Pouch
PRIORITY

CONFIDENTIAL
(Security Classification)

DO NOT TYPE IN THIS SPACE

883a.00/3-3160

FOREIGN SERVICE DESPATCH

FROM : Amembassy BEIRUT

585
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

March 31, 1960

DATE APR 2 1960

REF : CERP, Section C, Item 1; Embdesp 573, March 24, 1960

AF-5

35 For Dept. Use Only	ACTION	DEPT.
	REC'D	IN F O OTHER
	Com-12 4-5	REP-1 IRC-15 ICA-11 E-7 NEA-4 EUR ZUSIA-10 OSD-2 ARMY-35 NAVY-20 AIR-38

SUBJECT: Weekly Economic Review No. 13 - Lebanon - Week Ending March 31, 1960

Contents

- I. UNCLASSIFIED - Highlights
- II. UNCLASSIFIED - Foreign Aid: PL 480 Wheat to Lebanon Announced
- III. UNCLASSIFIED - Trade Fair: International Fair in Tripoli Becomes More Likely
- IV. UNCLASSIFIED - Agriculture: Fruit Office Issues Warning to Lebanese Fruit Exporters
- V. CONFIDENTIAL - Petroleum: Purchase of SovBloc Fuel Oil by Jordan's Hejaz Railroad May Be Stalled
- VI. UNCLASSIFIED - Petroleum: Mobil and Caltex Agree to Give Local Marketers a Share of Medreco High-Octane Output (see WER 10)
- VII. UNCLASSIFIED - Tourism: Emigrants Convention Set for September 15
- VIII. UNCLASSIFIED - Government Policy: Compromise Formula Found for French Pharmaceuticals

I. UNCLASSIFIED - Highlights

The economic scene was very quiet this week, and even the domestic political activity dealing with the forthcoming elections was overshadowed in the press by the arrival on March 28 of nine ships of the U.S. Sixth Fleet, including the flag-ship Des Moines and the aircraft carrier Forrestal. Their reception by Lebanese officials and private citizens was warm and cordial. The minor rumblings against the Fleet visit in the Communist and ultra-Nationalist press were almost completely overshadowed, at least as far as Beirut merchants and taxi drivers were concerned, by the welcome sound of jingling coins in the trousers of the visiting U.S. sailors.

RPSmith/bm

REPORTER

CONFIDENTIAL

FILED

LWS

CLASSIFIED FILE

ACTION COPY - DEPARTMENT OF STATE APR 23 1960

The action office must return this permanent record copy to RM/R files with an endorsement of action taken.

DECLASSIFIED

Authority NND 949569

By PT NARA Date 7/23/04

CONFIDENTIAL

Page 2
Despatch 585
From Beirut

II. UNCLASSIFIED - Foreign Aid: PL 480 Wheat to Lebanon Announced

Almost all Beirut newspapers carried on March 24 or 25 the announcement that the United States had agreed to provide Lebanon with 20,000 tons of PL 480 Title II wheat to help meet the shortage arising from drought and insect damage. The announcement followed the Ambassador's call on Prime Minister Rashid KARAME.

OFFICIAL USE ONLY - Comment: Coming only a few days prior to the visit of nine ships of the U.S. Sixth Fleet to Beirut, the announcement of the gift wheat offset to a certain degree some minor criticisms of the Fleet visit in the local press. Although recent rains have eased the drought situation to some extent, the next wheat crop is almost certain to be substantially less than last year's.

III. UNCLASSIFIED - Trade Fair: International Fair in Tripoli Becomes More Likely

Following a detailed study by officials of the Ministry of Planning the Government transmitted last week to the Chamber of Deputies a law calling for the organization of a permanent international fair in Tripoli. The cost of the project has been estimated at approximately L.L. 9 million, and officials have estimated that the revenue from the fair will amount to some L.L. 1.5 million annually. The fair, which is expected to cover an area of approximately 300,000 square meters, is scheduled to open during the spring of 1961.

LIMITED OFFICIAL USE - Comment: Many Beirut businessmen are still unhappy over the prospects of having the fair in Tripoli rather than in Beirut, but the Government appears determined to follow through on its proposal to hold it in the northern city. The facilities in Beirut are unquestionably better than those in Tripoli, especially hotel space, and considerable construction and other work will be necessary in Tripoli before the fair can become a reality. However, warehouse space is available, and the fact that Tripoli is a port and has a good highway running south to Beirut has entered into the decision favoring Tripoli. Some cynics continue to assert, however, that the decision to hold the fair in Tripoli was due almost solely to the fact that Prime Minister Rashid Karame is a Tripolitanian.

IV. UNCLASSIFIED - Agriculture: Fruit Office Issues Warning to Lebanese Fruit Exporters

Antoine EDDE, Director of the Lebanese Fruit Office who has just returned from a month's stay in Europe where he was a member of the Lebanese delegation to the Leipzig Fair, has issued a warning upon his return that Lebanon stands to lose considerable portions of her export market for fruit unless immediate steps are taken to insure proper packing and cleanliness in exported fruits. In a statement to the press, Edde stressed that although the quality of Lebanon's fruit is highly appreciated in Europe, European importers have become somewhat wary of Lebanese shipments because of past instances of poor grading and packing. He warned Lebanese exporters in particular against packing good quality fruit at the top of a case, leaving poorer quality fruit at the bottom.

CONFIDENTIAL

0 1 0 7
DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

CONFIDENTIAL

Page 3
Despatch 585
From Beirut

Comment: The problem of poor grading and packing standards has long plagued Lebanon's attempts to step up its exports of fruit. Mr. Edde's report indicates that the problem is continuing, despite the efforts of the Lebanese Fruit Office to tighten up its regulations and inspection controls.

V. CONFIDENTIAL - Petroleum: Purchase of SovBloc Fuel Oil by Jordan's Hejaz Railroad May Be Stalled

Local representatives of Mobil Oil of Lebanon have been concerned for some time over the possibilities of a sale of fuel oil by the notorious Lebanese importer Georges SHAMMAS to the Jordanian-owned Hejaz Railroad. Although Shammas had apparently concluded a deal for such a sale at a lower level, presumably by dispensing rather liberal amounts of baksheesh, the Embassy has been informed by Mobil officers in Beirut that Jordanian Government officials now feel that the situation has become embarrassing and plan to employ stalling tactics in dealing with Shammas until the Jordanian refinery goes on stream in July. In the meantime, Mobil Oil will continue to supply Jordanian requirements without a contract.

Comment: This action follows intervention with the Government of Jordan by Embassy Amman.

VI. UNCLASSIFIED - Petroleum: Mobil and Caltex Agree to Give Local Marketers a Share of Medreco High-Octane Output (see WER 10)

In a letter to the Government of Lebanon early this week, Mobil Oil and Caltex informed the Government that they would agree to give the recognized local marketers (those who are currently marketing Tripoli refinery products) a share of the Medreco 84 octane output. For some time the local marketers had complained that they were at a disadvantage with the American marketers in that they only had access to the low-octane Tripoli product. By way of forestalling Government intervention on behalf of the local marketers, Mobil and Caltex have voluntarily offered a reasonable share of the Medreco output to local competition.

OFFICIAL USE ONLY - Comment: Mobil management, in commenting on the American company's offer, states that it will agree to give the local marketers a sufficient quantity to meet legitimate requirements, but not enough for resale to Caltex and Mobil distributors at a reduced price. The Embassy views the action of the American marketers as a wise public relations move and shares with Mobil the view that it will not seriously damage the American marketers' sales.

VII. UNCLASSIFIED - Tourism: Emigrants Convention Set for September 15

The Ministerial commission charged with the preparation of the next "Congres des Emigres" in a meeting on March 24 fixed September 15, 1960, as the date of the next convention. The commission, composed of Minister of National Economy

CONFIDENTIAL

0108

DECLASSIFIED
Authority NND 949569
By ET NARA Date 7/23/04

CONFIDENTIAL

Page 4
Despatch 585
From Beirut

Philippe TAKLA, Minister of Health and Public Works Pierre GEMAYEL and Minister of Education and Planning Fouad BOUTROS, is also being assisted by several other committees in the preparations for the next convention. On March 26, a "Committee on Tourism and Publicity", composed of the Commissioner-General of Tourism, representatives of travel agencies, hotels, the Casino du Liban, and of the press, also met to discuss ways and means of publicizing the forthcoming convention abroad.

Comment: The Lebanese Government hopes to attract several hundred Lebanese emigrants to this year's convention, and it is lending its full support in an attempt to make the convention a successful one. The Ministry of Foreign Affairs has requested an appropriation of L.L. 200,000 to cover the cost of convention expenses and publicity.

VIII. UNCLASSIFIED - Government Policy: Compromise Formula Found for French Pharmaceuticals

The Ministry of Health, having firmly refused to accept the request of the French pharmaceuticals delegate to admit French medicines without a certified invoice (see WER 11), has now accepted a new formula which was proposed by the French. The formula provides for the introduction of an index system under which the pharmaceutical products of all exporting countries will receive the index figure of 100, while those of France will be indexed at 115. Thus a certain medicinal product which sells for 100 francs (65 piastres) in a Paris pharmacy will retail for 75 piastres (115 francs) in Beirut.

Comment: This compromise formula solves the problem posed by the dual price system prevailing in the French pharmaceuticals market. At the same time it enables French medicines to compete with similar U.S. products in Lebanon by taking into account the special role played by the French Government in lowering the price of medicines for domestic consumption in France.



Robert McClintock

Contributors:

THENesbitt
LCTihany

cc: Amembassies AMMAN, ANKARA, BAGHDAD, CAIRO, JIDDA, LONDON, PARIS, TEL AVIV, TRIPOLI; Amconsgen ALEPPO, DAMASCUS, DHAHRAN; Amconsulates ADEN, KUWAIT

CONFIDENTIAL

0109

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

Air Pouch
PRIORITY

CONFIDENTIAL
(Security Classification)

DO NOT TYPE IN THIS SPACE

FOREIGN SERVICE DESPATCH

883a.00/4-660

FROM : Amembassy BEIRUT

591

DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

April 6, 1960

DATE

REF : CERP, Section C-3; Section B, Items II-A-3, III-C-1

APR 15 1960

19 For Dept. Use Only	ACTION REC'D	DEPT. I N F O OTHER	E-9		PER-2 Beirut-4	
			KEP-1 RM/R-2	ENR-5	IRC-8	ICA-11
4-19			Cia-10 TR-3	FRB-2	TAB-2	Lab-6
						AG-15
						IN-7

SUBJECT: Annual Economic Assessment for Lebanon (April 1, 1960) *Obs-4 Army-8 Navy-3 Air-6 XMB-4 Delta-10*
Rem-12

Table of Contents

	Page
I. Summary	2
II. Present Status of the Lebanese Economy	
The Economy in General	2
National Income Estimates	3
Balance of Payments Estimates	3
The National Budget	4
Industry and Trade and Agriculture	5
Foreign Aid	6
Petroleum	7
Labor	7
III. Significant Developments	
Public Works	8
Reforestation and Irrigation	8
Tourism	9
Transit Trade	9
Fiscal Reform	9
IV. Weaknesses in the Lebanese Economy	
Trade Imbalance	10
Political Instability of Adjacent Countries	10
Population Increase	10
Export Difficulties	11
Difficulties of Industrialization	11
V. The Future	11
National Income Estimates, 1954-1959	Enclosure 1
Tentative Balance of Payments - 1958	Enclosure 2

THENeshitt/bm
REPORTER

CONFIDENTIAL

ACTION COPY - DEPARTMENT OF STATE

The action office must return this permanent record copy to RM/R files with an endorsement of action taken.

DECLASSIFIED

Authority NND 949569

By PT NARA Date 7/23/04

CONFIDENTIAL

Page 2
Desp. 591
From Beirut

I. Summary

The revival of the Lebanese economy during the last three quarters of 1959 and the first quarter of 1960 from the depression caused by the civil disturbances of 1958 was indeed remarkable, especially when contrasted with 1957, a banner year for the Lebanese economy. During this period, most sectors of the Lebanese economy, except transit trade, not only regained their pre-disturbance levels, but in some instances exceeded them. Commercial confidence was restored, bank deposits climbed, trades and services showed a marked increase, port traffic rose, building experienced an astonishing boom and airport traffic showed an increase over the record year of 1957.

A large trade deficit notwithstanding, Lebanon has no immediate balance of payments problem, and there is none foreseeable in 1960. The national income in 1959 closely approached the peak level of 1957 and increased by approximately 13 percent over 1958. The gold in the currency cover has been increased from 78.4 percent a year ago to 85.5 percent as of this writing. Although there has been a slight increase in the currency in circulation, the Lebanese pound has generally been stable on the world market.

The favorable economic trend which existed in 1959 and continued in the first quarter of 1960 now shows some signs of leveling off, and will undoubtedly do so during the summer, when the usual slump in business sets in. Whether or not the growth in the economy will resume its present pace in the fall is dependent upon numerous factors, the most important of which are the political climate in the neighboring Arab countries, the political stability within Lebanon itself following the forthcoming elections, the effectiveness of the recently signed transit agreement, and the extent to which other Arab countries apply sanctions against Lebanese traders.

II. Present Status of the Lebanese Economy

The Economy in General

In striking contrast to the situation which existed in Lebanon one year ago, at which time economic uncertainty prevailed and the future was unpredictable, the present status of the Lebanese economy appears to have taken a decided turn for the better, giving evidence of stability and continued growth in most sectors, the only discernible decreases over previous years being those in the areas of transit trade and agriculture. The economic revival and restoration of commercial confidence can be attributed to three factors: the ingenuity and energy of the Lebanese businessman, the diminution of tensions within the country itself and in the surrounding countries upon which it so heavily leans for its commercial livelihood, and a traditional government hands-off-business policy. The

CONFIDENTIAL

DECLASSIFIED
Authority NNN 949569
By PT NARA Date 7/23/04

CONFIDENTIAL

Page 3
Desp. 591
From Beirut

traditional laissez-faire policy of the Government of Lebanon as it relates to its economic livelihood is basically responsible for the revival in trade and business activity. There are few if any Lebanese Government restrictions on the movement of goods within the country or across its borders, excepting Israel. While there are tariffs on imports, they are generally not restrictive in nature, but directed toward the yielding of revenue. The relatively low duty on imported goods assures that the Lebanese market will be well provided with all categories of consumer goods which come into it from all over the world.

Bank deposits have climbed during the last year and the all-important port traffic has continued to rise, with a consequent increase in customs receipts. The building boom (mainly of apartments which are sold to oil-rich Arabs or amortized in five years) which started a year ago has continued apace and shows no sign of slackening, although there are a considerable number of empty apartments in Beirut and in neighboring areas. Across the board there is evidence of the continuing growth of the Lebanese economy.

National Income Estimates

Although estimates of national income in Lebanon reveal an annual increase from 1950 to 1957 varying from 3 to 9 percent, the 1958 disturbances caused a considerable decline. Estimates for 1959, however, tend to confirm that it was a year of recovery, with the estimated national income only some L.L. 13 million less than that of 1957. The table in Enclosure 1, although severely limited in accuracy and reliability because of the lack of comprehensive and consistent statistical series, is believed to contain the most accurate available national income data. The figures through 1958 were prepared and recently revised by Dr. A.Y. BADRE of the Economic Research Institute of the American University of Beirut. Those for 1959 were estimated by the Embassy on the basis of observable developments during the year and the minimal statistical data available. The usefulness of these figures is limited to an indication of trends, and should not be taken as an accurate statement of national income in any one particular sector of the economy or the percentage of that income in relation to the entire national income. Although the 1959 national income estimate is below that of 1957 (the last non-crisis year), its closeness to 1957 is significant, since the first three months of 1959 may be considered "depression" months, and this fact notwithstanding, the year's total was raised to its present level by a remarkable last six months and a moderate second quarter.

Balance of Payments Estimates

Despite a large visible trade deficit (approximately five to one when compared to exports), there is no indication that Lebanon has any immediate balance of payments problem or that there will be on in the immediate future.

CONFIDENTIAL

0 1 1 2

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

CONFIDENTIAL

Page 4
Desp. 591
From Beirut

Although source material from which to derive a reasonably accurate picture of Lebanon's balance of payments is almost completely lacking, Dr. Paul KLAT of the Economic Research Institute of the American University of Beirut has prepared a tentative balance of payments for 1958 based on the sum of the information available. These figures are transmitted as Enclosure 2. Making allowances for certain trends and developments observed during the past year, the Embassy can make the following general comments on the balance of payments picture for 1959.

Most indications are that Lebanon's balance of payments estimates for 1959 will probably show a larger deficit than in 1958 in "Goods and Services", and a substantially greater surplus in "Donations and Capital". The trade balance deficit, according to preliminary estimates, is only slightly larger in 1959 than it was in 1958, while the surplus arising from "Transport and Insurance" and "transit trade" (Iraq Petroleum Company payments excluded) is expected to be appreciably less than 1958 estimates. Other factors within the category "Goods and Services" are not believed to have changed significantly in 1959.

Capital inflow is known to have been substantially higher in 1959 than in 1958. The volume of capital flowing into Lebanon from neighboring oil-producing countries has continued, and there are other indications of an inflow of flight capital from Syria and Iraq.

The balance of payments surpluses have been matched by a steady growth in the monetary gold stock and in foreign exchange assets. The amount of gold in the currency cover has risen from 78.4 percent a year ago to 85.5 percent as of this writing. Although the currency in circulation has been increased to a slight degree, the Lebanese pound has generally remained stable in the world market and has even strengthened appreciably in Lebanon.

The policy of maintaining a strong, freely convertible and stable currency has succeeded in promoting trade and in continuing to attract an inflow of foreign capital, particularly from neighboring oil-rich countries. Lebanon, which aspires to a position in the money market similar to that enjoyed by Switzerland, has gone a long way in advancing this policy through its liberal attitude with respect to foreign investment and free convertibility. Further inducements to attracting foreign capital are the relatively low taxes and secrecy of banking laws.

The National Budget

The Ordinary State Budget of the Government of Lebanon has shown a steady increase since 1957, in which year it was L.L. 185.6 million. In 1958 it rose to L.L. 194 million, in 1959 to L.L. 206 million and in 1960 to L.L. 222 million. The principal sources from which the Government's revenue is derived are corporate and personal taxes, both direct and indirect, services, agriculture, customs

CONFIDENTIAL

0113

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

CONFIDENTIAL

Page 5
Desp. 591
From Beirut

receipts, which account for a large portion of the Government's income, and royalties or transit fees received from the Iraq Petroleum Company and the Trans-Arabian Pipeline Company.

Industry and Trade and Agriculture

Due to the loss of the transit trade during the troubles of 1958, a loss which has not been restored to any measurable degree, the character of the economy, particularly in the industrial sector, has undergone some change. For example, whereas in the past Lebanon depended to a large degree on its transit trade for its national income and livelihood, it has had to make internal adjustments which were largely in the industrial area. Old established industries such as the textile industry, which used to produce with the export market in mind, have had to realign their production schedules and gear them primarily to the local Lebanese consumption. The small number of manufacturing plants which have been built in Lebanon since the crisis of 1958 have been developed for the purpose of satisfying Lebanese consumption rather than the export market. These new plants have served two purposes: first of all, to fill the void in the economy caused by the loss of the transit market, and secondly, to give employment to Lebanon's increasing population. One aspiration of the Lebanese Government and many industrialists is to make Lebanon as self-sufficient in consumer and other products as it possibly can, thus cutting down on the costly imported materials from abroad.

Evidences of the present good state of health of the Lebanese economy are manifold. Customs receipts for December 1959 were the highest in history, exceeding by L.L. 2 million the highest month in 1957, which heretofore had been considered the best year in the history of the Lebanese economy. Although there was some slight seasonal decrease in the receipts for the first two months of 1960, the March receipts were the second highest in history, making the first quarter of 1960 second in revenue production only to the last quarter of 1959.

Both demand and time bank deposits during the last quarter of 1959 were far above those of any year heretofore recorded. Bank clearings for the first two months of 1960 showed a remarkable increase over those of any month of 1959 or of the best previous year, 1957. Movement at the international airport also showed a decided increase, which far exceeded the 1957 previous record. Registration of new motor vehicles also showed an increase over both 1958 and 1957. The surprising increase (for this small country) was 1000 private cars over 1957. Cement production, which is closely allied to the building boom, showed an increase of 200,000 metric tons over 1957 and almost 250,000 metric tons over 1958. Building permits rose from 868 in 1957 to 1,083 in 1959.

On the deficit side and reflecting the diminution in transit trade, total transit movement through the Port of Beirut was 341,000 metric tons in 1959 as compared to 585,000 metric tons in 1957. Another significant change in the

CONFIDENTIAL

0 1 1 4

DECLASSIFIED
Authority NND 940569
By ☒ NARA Date 7/23/04

CONFIDENTIAL

Page 6
Desp. 591
From Beirut

economy has occurred in the field of agriculture. Although Lebanon, due to its shortage of cultivatable land, could never become self-sustaining in cereals production, it has in normal years produced approximately 50,000 metric tons of its estimated 250,000 ton annual cereals consumption. Due to drought, insect infestation and other causes, the cereals yield in 1959 was approximately 25,000 tons and the estimates for 1960 are about the same. Two successive drought years have convinced the Lebanese farmer that he should look to other crops for his sources of income. As a consequence, much mountainous land heretofore unused has been terraced and turned into apple production, which is an exportable and good money producing crop. Following the creation of the Lebanese Fruit Board, more sophisticated procedures introduced in the field of apple, citrus and other fruit grading and processing have enlarged the Lebanese export market and have brought in much-needed foreign exchange.

Foreign Aid

Coincident with the increase in the stability and general strength of the Lebanese national economy has been the marked decrease in foreign aid, which was received largely from the United States. During 1959, \$3.6 million, which had been allocated for the Damascus road and a housing project, was re-allocated at the request of the present Government for use in constructing village water supply, rural electrification, and building new roads, etc. In addition, during the calendar year 1959, 65,000 metric tons of wheat granted to Lebanon as disaster relief under Title II of Public Law 480 were delivered. The funds accruing from the sale of the Title II wheat were used for the labor component of development projects and had a marked effect on the Lebanese economy during the latter half of 1959 and the first few months of 1960. Due to the severe drought and insect infestation which have plagued the cereals farmer, the United States in March 1960 agreed to grant Lebanon another 20,000 metric tons of cereals under Title II of PL 480. Other than this grant of wheat and technical assistance, no aid funds have been made available to Lebanon in 1960, and other than some military assistance under Presidential determination, none are contemplated. The only aid which the Government of Lebanon has requested so far during this calendar year other than that already mentioned will be in the field of technical assistance. With the possible exception of additional requests for grants of wheat under Title II of PL 480, no additional aid requests are anticipated.

Perhaps the single greatest disappointment to the Lebanese industrialist and financier has been the inability to negotiate loans under the much touted Development Loan Fund program. During 1959 and for the first three months of 1960, eight formal applications were made to the DLF for loans for industrial financing, and many more were in process of preparation. Admittedly, some of the loan applications, which for the large part are small in size, did not meet DLF criteria; however, the fact that DLF took so long in processing the applications and in informing the applicant of his rejection left a bad taste with the applicants, many of whom are influential Lebanese businessmen. Two loans,

CONFIDENTIAL

0115

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

CONFIDENTIAL

Page 7
Desp. 591
From Beirut

however, were granted, the most important of which was that to the Banque de Credit Agricole, Industriel et Foncier (BCAIF) for \$5 million. The BCAIF, Lebanon's only development bank, will use the \$5 million to make long-term, low interest loans to small industry. The second loan^{was} for \$500,000 to assist the El Bared Power Company in rebuilding its bombed out hydroelectric plant north of Tripoli. In view of the fact that the DLF has recently placed a minimum of \$300,000 on loan applications, the Embassy foresees few, if any, further direct applications to the DLF from the industrial sector of Lebanon for development loans. The DLF, in placing the limitation of \$300,000 on loan applications, has also stipulated that application should first be made to BCAIF.

Petroleum

Ship liftings from the Tapline Sidon terminal for the first three months of 1960 were in striking contrast to those during the first three months of 1959. January 1960 ship liftings approximated 10,239,000 barrels; in February, 7,206,000 barrels (which includes 124,525 barrels lifted under an Iraq Petroleum Company IPC exchange agreement), with March liftings of only 6,337,723 barrels (which includes 160,000 barrels to the IPC). For the first three months of 1959 liftings were 11,353,000 barrels, 11,734,000 barrels and 13,593,000 barrels respectively. The continued downward trend in Sidon ship liftings is an indication of the glut of oil and the soft tanker market. The liftings for March 1960 are less than one-half of Tapline's capacity. According to company officials, the Ras Tanura liftings for the first three months of this year are approximately the same as those for the same period last year.

The decrease in the ship liftings notwithstanding, the countries through which the Tapline transits are ever hopeful that they will soon be able to renegotiate the transit agreement, which will increase the revenues derived from Tapline. According to company officials, the keystone in the renegotiation of the agreement is Saudi Arabia, following which would be the UAR, Lebanon and Jordan.

The Mediterranean Refining Company (Medreco) refinery (U.S.-owned) at Sidon, which produces 84 octane gasoline and other products, continued to operate at near capacity, while the low octane (60) IPC refinery at Tripoli operated at less than one-half capacity.

Labor

During the year under review there were several labor disturbances and some strikes. None of the strikes, however, could be considered of major consequence and none were general in nature. The trade union movement in Lebanon, although still facing numerous organizing problems and other difficulties, seems to be growing in strength, bargaining power and maturity and has successfully resisted infiltration by Communist elements.

CONFIDENTIAL

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

CONFIDENTIAL

Page 8
Desp. 591
From Beirut

The only American company that was affected by a labor dispute was Mobil Oil, which unfortunately was faced with the necessity of closing its can plant, maintained for the production of tin cans for the export of oil products to Syria and Jordan. Following the opening last July of the refinery at Homs, the Syrian market was lost to Mobil, and the creation of a tank farm at Aqaba almost eliminated the Jordanian market.

Upon review of the present status of the Lebanese economy, particularly when contrasted with 1959, 1958 and 1957, the conclusion is drawn that the economy has shown a remarkable resiliency, has reached a high level of prosperity and a reasonable degree of stability and balance.

III. Significant Developments

Public Works

Under the terms of an agreement signed last June 4 between the Government of Lebanon and the Iraq Petroleum Company, the company agreed to increase its transit payments and to pay to the Government of Lebanon L.L. 51.4 million for retroactive transit fees which had accrued since 1956. Upon completion of the negotiation of the transit agreement, it was the express wish of President Chehab that the money accruing therefrom be used for development projects. Recently the Council of Ministers transmitted to Parliament a request that the L.L. 51.4 million be used to build schools, hospitals, trade schools and other projects which are designed to keep the farmers in the rural areas and reverse or slow down the shift of population toward urban areas. Additionally, much of the payment will be used for the building of roads and other public works.

Reforestation and Irrigation

Almost coincident with the announcement of this new public works plan was the submission of the long-range plan by the Ministry of Agriculture for reforestation and the construction of irrigation and water retention facilities. Although modest in its concept, the plan of the Minister of Agriculture, if carried forward, will go a long way toward alleviating much of the hardship caused by the uncertain rainfall. With the exception of the Litani River project, little or no water conservation is presently practiced in Lebanon. Rains and snows that fall on the coastal side of the Lebanon Mountains or even in the Beka'a Valley run off with little secondary use. If the present plans come to fruition, small earthen retaining dams will be built in the streams flowing into the Beka'a Valley. Although this would be a most modest start, it would certainly be a step in the right direction in the conservation of the very precious and limited water supply.

CONFIDENTIAL

0117
DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

CONFIDENTIAL

Page 9
Desp. 591
From Beirut

Tourism

One of the most important sources of income for Lebanon, particularly of foreign exchange, has been tourism. Although the Lebanese have counted heavily on tourism for their livelihood, they have done little to exploit this very valuable source of foreign exchange. In most tourist-conscious countries, between 5 and 10 percent of the tourist income is ploughed back into publicity and development, but Lebanon has been expending only 1 percent or less of its tourist income per year for such purposes. Although there has been much talk about the exploitation of tourism in Lebanon, little on the official level has been done so far which would indicate that any serious attempt is being made to develop this industry to a higher or more profitable degree. In contrast to the lethargy of the Government, the American Ambassador has inspired many private organizations and clubs to take an interest in developing Lebanon's tourism capabilities.

Transit Trade

During the crisis of 1958 the transit trade which flourished through the Port of Beirut and into the hinterland came to a complete halt. Following the conclusion of the hostilities, much of the transit trade which had heretofore gone through Beirut had been permanently diverted to the Port of Latakia in Syria and the Port of Aqaba in Jordan. Much of the traffic so diverted will never return to Lebanon. However, there is a second factor other than the development of these ports which had a bearing on the transit trade: external political considerations over which Lebanon has no control. During the course of the past year, several conferences have been held to effect a transit agreement which would again allow the Lebanese merchant to export his produce to Syria, Jordan, Iraq, Saudi Arabia and the Persian Gulf states unfettered by high taxes and other restrictions. Early in December 1959 an agreement was concluded between the UAR, Jordan, Saudi Arabia and Lebanon to facilitate the transportation of goods and persons in transit across the territory of the signatory states. The agreement is to come into force when three countries have completed ratification. Although the UAR (the necessary third party) has ratified the agreement, it has not deposited its instrument of ratification with the Arab League, due to stalling tactics on the part of Syria. Although the agreement should give the economy of Lebanon a boost, it remains to be seen whether or not the spirit of the agreement will be fulfilled by the parties who have signed it.

Fiscal Reform

In a recent meeting of the Lebanese Council of Ministers, it was agreed that the Ministry of Finance should look into the whole matter of fiscal reform, including the unpopular question of taxes. Although it is privately and publicly admitted that fiscal reform is urgently needed, it is the general consensus of a large segment of the community that much would be accomplished if existing tax

CONFIDENTIAL

0 1 1 8

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

CONFIDENTIAL

Page 10
Desp. 591
From Beirut

laws were enforced and if no favoritism were shown in the collection of taxes. Although the Government has made an informal request of the United States for the services of a tax expert to review the tax structure of Lebanon and an expert is being provided, it is doubtful that upon completion of such study and review any significant changes will be made in the fiscal procedures of this Government in the near future. Following the forthcoming elections now scheduled for this spring, Parliament may be enlarged from 66 to 99 deputies, with the anticipated result that the hue and cry against the imposition and collection of new taxes will be increased in volume.

IV. Weaknesses in the Lebanese Economy

Trade Imbalance

Although much is to be said about the virility and the resiliency of the Lebanese economy, one must take into consideration that there are many weaknesses in and threats to the economy, not only because of its own peculiar structure, but because the economies of the adjacent countries are controlled (generally contrary to the will of the people) and there is general resentment because Lebanon is the only free economy in the Middle East. The controlled economies of the surrounding countries with which Lebanon trades are sensitive to Lebanon's free economy and prosperity and often impose restrictive measures which have a retarding effect upon Lebanon. Trade and services, which are the lifeblood of Lebanon, are thus in constant jeopardy. The constant unfavorable trade balance makes it mandatory for Lebanon to maintain a high export of services. The export of these services makes it possible to finance vitally needed imports in the form of major food items, such as wheat, rice, meat and dairy products, and consumer and productive capital goods such as fertilizers, vehicles and machinery. The transit agreement mentioned above is designed to alleviate some of the precariousness of this delicate economic balance.

Political Instability of Adjacent Countries

Apart from the economic considerations arising out of the controlled economies of the adjacent countries, is the ever-important question of the political stability of those countries. The unpredictable and potentially explosive political climate in the adjacent countries offers a constant threat to Lebanon's very existence. The constant threat of economic strangulation or reprisal establishes a bad climate for investment capital and in particular that from the Western countries.

Population Increase

A further weakness in the Lebanese economy is the increasing population (approximately 3 percent per year) and the inability of the domestic economy to absorb the increase in gainful enterprise. Despite the fact that the per capita

CONFIDENTIAL

0119

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

CONFIDENTIAL

Page 11
Desp. 591
From Beirut

income in Lebanon is the highest in the Arab world, with the exception of oil-rich Kuwait and Qatar, the distribution of the income is most inequitable. For the large part, the rank and file of the population do not share in the high income, and the disparity in living standards caused by this situation has been a motivating force in the high rate of emigration.

Export Difficulties

Further difficulty is caused by the uncertainty of the export market for fruits and vegetables upon which Lebanon depends for a large amount of its national income. The relatively high quality of the produce notwithstanding, many of the difficulties facing the Lebanese with regard to exports are difficulties which are either inherent in the country itself or due to the attitude of the Lebanese in selling abroad. For example, the cultivation on limited amounts of terraced land causes Lebanese fruit export prices to be quite expensive when compared to those of other countries. Secondly, the purchaser cannot be certain that he is going to receive standard quality throughout his entire shipment. Numerous instances have been reported in which certain grades and specifications have been requested and have not been adhered to, with the consequent rejection of the fruit and the discontinuance of the purchase of Lebanese products. By the creation of the Fruit Board in 1959, it was hoped that much of this uncertainty would be eliminated and that the importer could be assured of a constant grade and quality in products. Although considerable progress has been made in the field of standardization in grade and quality of exportable fruit, much has yet to be done before Lebanese quality will receive foreign recognition.

Difficulties of Industrialization

Although selective industrialization has been fostered for the purpose of lowering the cost of the manufactured product, Lebanese industry is still confronted with the fact that basic raw materials are not available in this country and have to be imported. A further restraining factor on the increase in the Lebanese industry and economy is the absence of long-term development capital. At present there is only one development bank in Lebanon (the BCAIF), and this bank has loaned to its capacity. It is hoped that loans recently granted to it by the DLF and the Government of Lebanon will enable the bank to extend additional credit on more reasonable and longer terms than in the past.

V. The Future

Economists, businessmen and bankers seem to be in general agreement that a leveling-off period is in sight and that the Lebanese economy will shortly reach a plateau. If the leveling-off period does not come within the next 45 days, every indication is that it will take place during this summer, when business and industry go into the usual summer slump. In this fall and in

CONFIDENTIAL

0 1 2 0

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

CONFIDENTIAL

Page 12
Desp. 591
From Beirut

the event the Transit Agreement finally goes into effect, and if the political situation in the surrounding countries remains stable, it is fair to assume that business will continue its upward trend.

Although Egypt has stated that it will permit the same number of tourists to come to Lebanon during the 1960 season as it did in 1959, it remains to be seen whether or not Egyptian tourists will be granted visas in substantial numbers or will be allowed to bring significant amounts of money with them. Due to restrictive measures and exit fees, the number of Syrian tourists who were permitted to come to Lebanon in 1959 was less than half that in 1956, during which year approximately 670,000 Syrians visited Lebanon. The political climate existing in surrounding countries will be a determining factor as to how many tourists will visit Lebanon during the coming or any season.

How long the building boom, which has done much to bolster the Lebanese economy, will continue, is a matter of conjecture. Although many de luxe apartments remain vacant, the construction of new apartment buildings continues without any sign of slackening. To a large degree, speculators who are engaged in the building business are hopeful that their apartments, be they vacant or even partially filled, will be sold to Kuwaitis and Saudis who like to see some tangible expression of their wealth, whether or not it is income producing.

One of the factors contributing to the health of the Lebanese economy in 1959 and one which should continue to contribute to its stability in the future is a newly found political stability stemming from a very popular and respected President of the Republic, Fuad Chehab, and a hard-working Cabinet composed of men who are generally competent professionally to hold their portfolios. Despite the imminence of new elections and the subsequent formation of a new Cabinet, the general political stability in Lebanon is expected to continue, and should greatly enhance the prospects for a continued growth and development of the Lebanese economy. This will probably be a factor over the long run, despite present indications that a slight leveling-off period is in sight during the late spring and summer of 1960. There are no indications, however, that this slight leveling off or perhaps even downturn during the seasonal summer slump will not be followed by another upturn next fall, when business conditions traditionally revive.

Lebanon's traditional imbalance of trade has been matched in the past by a net export of foreign exchange earning services and a net inflow of private capital which will probably continue to result in a favorable balance of payments position for Lebanon.

Similarly, current developments also indicate that national income will continue to grow, despite a very critical agricultural situation resulting from a third year of drought and consequent impoverishment of the rural population in certain areas.

CONFIDENTIAL

0 1 2 1
DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

CONFIDENTIAL

Page 13
Desp. 591
From Beirut

Due to the uncertainties already mentioned, and in particular to those factors over which Lebanon has no control, it is difficult to assess the future of the Lebanese economy. Should there be a period of normalcy, it is a reasonable assumption that the economy will continue to expand, but to a lesser degree than it did in 1959, which was a remarkable year by any measure of comparison.


Robert McClintock

Enclosures:

1. Lebanon: National Income Estimates
in Millions of Lebanese Pounds, 1954-1959.
2. Tentative Balance of Payments - 1958 -
in Millions of Lebanese Pounds.

cc: Amembassies AMMAN, ANKARA, BAGHDAD, CAIRO, JIDDA, LONDON, PARIS, TEL AVIV,
TRIPOLI; Amconsgen DAMASCUS, DHAHRAN; Amconsulates ADEN, KUWAIT.

Department please send Embassy Beirut 4 copies

CONFIDENTIAL

78

0 1 2 2

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

UNCLASSIFIED

Page 1 of 1
Enclosure 1
Despatch 591
From Beirut

LEBANON: NATIONAL INCOME ESTIMATES IN MILLIONS OF LEBANESE POUNDS, 1954-1959 ^{1/}

	1954		1955		1956		1957		1958		1959	
	L.L.	%	L.L.	%	L.L.	%	L.L.	%	L.L.	%	L.L.	%
Trade	368	29	407	30	410	29	469	31	365	28	460	31
Agriculture	226	18	223	16	231	16	238	16	219	16	220	15
Industry	166	13	175	13	183	13	189	13	181	14	185	13
Ownership of Buildings	112	9	116	8	130	9	139	9	155	12	165	11
Services	134	11	165	12	160	11	148	10	104	8	135	9
Construction	60	5	60	4	50	4	41	3	38	3	50	3
Government	73	6	83	6	95	7	108	7	113	8	120	8
Transportation	60	5	75	6	78	5	80	5	57	4	60	4
Finance	57	4	70	5	80	6	91	6	93 ^{2/}	7	95	6
TOTALS	1,256	100	1,374	100	1,417	100	1,503	100	1,325	100	1,490	100

^{1/} Source: 1954-1958, A.Y. Badre; 1959, Embassy. The 1954-56 figures are revised estimates. The figures for 1957, 1958 and 1959 are provisional and subject to revision. All figures are constant relative to 1954 values.

Figure may be somewhat high and may actually have dipped below 1957.

UNCLASSIFIED

0 1 2 3

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

UNCLASSIFIED

Page 1 of 1
Enclosure 2
Despatch 591
From Beirut

TENTATIVE BALANCE OF PAYMENTS

1958

In Millions of Lebanese Pounds

A. <u>Goods & Services</u>	<u>Credit</u>	<u>Debit</u>
Merchandise Trade	150	660
Non-monetary gold	40	30
Foreign Travel	60	30
Transport and Insurance	50	15
Investment Income	70	9
Government - not included elsewhere	60	7
Miscellaneous - including transit	110	-
	540	751
 B. <u>Donations & Capital</u>		
Emigrants' Remittances & Transfers	95	4
Government	60	-
Charitable & Cultural Institutions	25	-
Capital (Net)	70	-
	250	4
 C. <u>Total</u> (A+B)	790	755
 D. <u>Surplus</u> (Credit - Debit)	35	
 E. <u>Compensatory Financing</u>		
Monetary Gold	-	-
Foreign Exchange Assets	-	31.0
Bank liabilities to non-residents	-	4.0
		35.0

UNCLASSIFIED

0 1 2 4
DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

Air Pouch

PRIORITY

CONFIDENTIAL

(Security Classification)

DO NOT TYPE IN THIS SPACE

FOREIGN SERVICE DESPATCH

883A.00/4-1360

FROM : AmEmbassy BEIRUT

612

DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

April 13, 1960

DATE

REF : CERP, Section C, Item 1; Embdesp 585, March 31, 1960

APR 15 1960

67 For Dept. Use Only	ACTION	DEPT.
	REC'D	IN F OTHER
	4/19	Rep-1 120-85 12A-11 E-7 NEA-4 EUR-5 SC CIA-16 USIA-10 OCB-2 OSD-2 ARMY-35 NAVY-20 AIR-30 AF-8 IN-7 TR-3 PR-3 XMB-4 TR-2

SUBJECT: Biweekly Economic Review No. 14 - Lebanon - Period Ending April 14, 1960

Note: In compliance with the Department's CA-7987, March 30, 1960, this is the first in the Embassy's series of Biweekly Economic Reviews

Contents

- I. UNCLASSIFIED - Highlights
- II. UNCLASSIFIED - Government Policy: Complications Delay Awarding of Government Bid to U.S. Company
- III. UNCLASSIFIED - Government Policy: Lebanon Turns Thumbs Down on Proposal to Boycott France
- IV. UNCLASSIFIED - Concessionary Companies: Negotiations for Purchase of Beirut Port Company by Government of Lebanon Virtually Concluded
- V. UNCLASSIFIED - Foreign Trade: Beirut Port Activity Decreases in March while Customs Receipts Rise (See WER 10)
- VI. UNCLASSIFIED - Government Policy: Jewish Newspaper Editor Acquitted of Spy Charges
- VII. UNCLASSIFIED - Agriculture: Battle Against Senn Pest Is Intensified
- VIII. UNCLASSIFIED - Foreign Aid: New USOM/L Director Harold S. Nelson Arrives
- IX. UNCLASSIFIED - Foreign Economic Relations: Closure of Permanent Communist Chinese Trade Mission to Lebanon Reported Imminent (See Embdesp 603, 4/11/60)
- X. CONFIDENTIAL - Labor: (a) Soviet May Day Invitation to Jami'at;
(b) UNCLASSIFIED - IFPW Officials to Plan Beirut Seminar

- I. UNCLASSIFIED - Highlights

Although the opposition has thus far succeeded in preventing Parliament from acting favorably upon the Government's electoral law, political activity is

RPSmith:fml

REPORTER

CONFIDENTIAL

ACTION COPY - DEPARTMENT OF STATE

The action office must return this permanent record copy to RM/R files with an endorsement of action taken.

6-1960

FILED

UNCLASSIFIED

883A.00/4-1360

0125

DECLASSIFIED

Authority NND 949569

By ET NARA Date 7/23/04

CONFIDENTIAL

Page 2
Despatch 612
From BEIRUT

intensifying throughout the country. Political rallies are becoming more and more in evidence, and political activity will almost certainly continue to increase in the next few weeks. Commercial activity remains at a high level, and customs receipts in March were the second highest in history. Negotiations for the purchase of the Beirut Port Company by the Government of Lebanon are almost completed, and Remington Rand is continuing its attempts to win the contract to supply tabulating and calculating machinery for the Government's statistical center. Beirut newspapers have been giving prominent treatment to UAR President Nasser's visit to India and Pakistan, and also to the overwhelmingly negative Lebanese reaction to the Arab League proposal to boycott France.

II. UNCLASSIFIED - Government Policy: Complications Delay Awarding of Government Bid to U.S. Company

On April 8 the Committee of Adjudication sitting on the bids for the tabulating and calculating machinery for the Government's Statistical Center (see WER 12), postponed the announcement of its final decision until April 22. This was done in order to allow Remington Rand, the lowest bidder, who is represented in Lebanon only by a local distributor, to provide satisfactory answers to the following two questions posed by the committee: (a) whether two of the machines offered by Remington Rand are in fact manufactured by the Bull Company of France; and (b) whether the rest of the equipment offered by Remington Rand is out of date and no longer in demand in the U.S. Acting on a suggestion to the Department of Commerce from the Embassy, a technician from Remington Rand arrived in Beirut from Geneva over the past weekend and conferred with the Embassy action officer on April 11. Mr. Karnik MILIKIAN, General Manager of the local distributing firm, has left for New York to confer with Remington Rand officials. Mr. A. G. YORGOPOULOS, IBM General Manager in Athens, was in Beirut from April 8 to April 12. The Embassy is providing liaison between the U.S. business representatives and competent officers of the Government of Lebanon.

CONFIDENTIAL - Comment: The charge that the Remington Rand machinery was in part outmoded and in part manufactured by Bull was made in a letter to the Minister of Planning by representatives of the Bull Company in Beirut, which also offered to cancel a considerable segment of its original price. In the course of his conference with the Commercial Attache, the newly arrived Remington Rand technician stated that two of the Remington Rand machines offered to the Government of Lebanon are in fact manufactured by Bull under contract. The technician affirmed that, in compliance with the specifications of the bid, the rest of the machinery offered by his company consists of the latest models manufactured by Remington Rand. It appears that, in spite of its higher bid, IBM is still preferred to Remington Rand by the Minister of Planning and by the Chairman of the Technical Commission. The Embassy is continuing its efforts to win the bid for one of the U.S. companies, but French influence is extremely strong and pervasive.

III. UNCLASSIFIED - Government Policy: Lebanon Turns Thumbs Down on Proposal to Boycott France

The proposal by the Arab League's political committee to recommend an Arab League boycott of France because of the second French atomic explosion in the Sahara created a lively controversy in Beirut and resulted in a Lebanese refusal to support the

CONFIDENTIAL

0 1 2 6
DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

CONFIDENTIAL

Page 3
Despatch 612
From BEIRUT

proposal." A majority of Beirut newspapers criticized the Arab League proposal and took the position that Lebanon could not cooperate in such a boycott of France without damaging severely her own interests.

OFFICIAL USE ONLY - Comment: As might be expected the most violent reaction against the boycott proposal came from Christian elements in Lebanon and particularly from Sheikh Pierre Gemayel, leader of the Phalangists and Minister of Public Works, who declared that the Arab League proposal infringed on Lebanon's sovereignty and its inherent right to determine its own foreign policy. Virtually the only support for the proposal from a major Beirut newspaper came from the pro-UAR Beirut El Massa, which criticized Sheikh Pierre Gemayel for the vehemence of his reaction. However, the paper also criticized the Arab League, saying that it had proven to be an impotent institution and "that its only products are protests."

IV. UNCLASSIFIED - Concessionary Companies: Negotiations for Purchase of Beirut Port Company by Government of Lebanon Virtually Concluded

The lengthy negotiations between the Government of Lebanon and the Beirut Port Company for its purchase by the Government have now reached the final stage. According to information released by the negotiators, the Government intends to make a lump sum payment for the purchase of the concession and properties from the formerly French-controlled concessionary company. Coincident with acquisition of the company, the Government will conclude a thirty-year management contract with the present operators and will establish a Government-owned real estate company to administer the real estate interests.

CONFIDENTIAL - Comments: In view of the fact that the present management will continue to operate the port, the Embassy foresees no change in the operation of the port or deterioration of service under Government ownership if the contemplated plan is followed.

Prior to the last meeting of the Board of Directors of the Port Company, Lebanese investors had acquired a majority of the voting stock and as a consequence were able to obtain majority representation on the board for the first time in history. The Lebanese investors who purchased the company's stock did so with the ultimate objective of selling their shares to the Government of Lebanon and reaping a handsome profit thereon. In anticipation of such a sale, negotiators for both the Government and the Company had made large purchases of the company stock last year. Purchase of the Port Company by the Government is in consonance with the established Government policy of acquiring the French concessionary companies. The last concessionary company purchased by the Government was the Damas-Homs-et-Prolongements (DHP) Railroad.

V. UNCLASSIFIED - Foreign Trade: Beirut Port Activity Decreases in March while Customs Receipts Rise (See WER 10).

In March, Beirut port activity dropped from the February total of 170,046 metric tons to a total of 144,958 metric tons. The total consisted of unloadings of 123,065 MT and loadings of 21,893 MT, and compares favorably with the March, 1959 total of 142,529 MT. Even while total port activity was decreasing, however, customs receipts in March climbed once again to a total of LL 9,420,000, a sizeable increase over February's total of LL 7,595,000.

CONFIDENTIAL

0127

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

CONFIDENTIAL

Page 4
Despatch 612
From BEIRUT

UNCLASSIFIED - Comment: The March figures for customs receipts are the second highest in history and also bring the total for the first quarter of 1960 to the second highest quarterly figure in history. Only the booming fourth quarter of 1959 was higher. The high level of customs receipts in Beirut indicates a continuing commercial confidence and high level of business activity, and the drop in total port traffic, which stems largely from a sizeable drop in loadings, was caused apparently by a seasonal slackening in the export of apples and citrus fruit.

VI. UNCLASSIFIED - Government Policy: Jewish Newspaper Editor Acquitted of Spy Charges

Mr. Toufic Mizrahi, co-owner of the influential financial and commercial newspaper, Le Commerce du Levant, was acquitted last week in a Beirut court of long-standing charges that he was a leader in "an Israeli spy ring."

OFFICIAL USE ONLY - Comment: Mizrahi, who has been in Europe for almost a year, was tried and acquitted in absentia. However, throughout the long pre-trial period of many months when newspapers were carrying accusations against Mizrahi, the paper continued to function normally under the direction of Mr. Mizrahi's two sons, David and Eduard.

VII. UNCLASSIFIED - Agriculture: Battle Against Senn Pest Is Intensified

With new reports of increasing amounts of damage by the Senn Pest to the already poor wheat crop in the Beka'a Valley, the Ministry of Agriculture has stepped up its attempts to combat them. Minister of Agriculture Fuad NAJJAR this week won the approval of the Council of Ministers of a law calling for the appropriation of LL 150,000 to step up the Ministry's battle against the insects. The Ministry has decided to use DDT in its attempts to kill the pests, and the insecticide will be made available to the farmers without charge.

Comment: The problem posed by the Senn Pest has been intensified by the drought, and rainfall in the Beka'a Valley remains substantially less than it was last year.

VIII. UNCLASSIFIED - Foreign Aid: New USOM/L Director Harold S. Nelson Arrives

Mr. Harold S. Nelson, formerly USOM director in Jordan, arrived in Beirut on April 8 to assume his duties as Country Director of USOM. His arrival was given considerable publicity in the local press.

Comment: On April 5, considerable publicity was also given to the arrival in Tripoli of 33 more boxcars for the Lebanese railways, purchased for the Lebanese Government with USOM funds. To date, 25 flatcars and 68 boxcars have been delivered. The balance of 31 boxcars is expected to arrive before the end of the month. Two more diesel-electric locomotives departed from New York on April 3, 1960.

CONFIDENTIAL

0 1 2 8

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

CONFIDENTIAL

Page 5
Despatch 612
From BEIRUT

IX. UNCLASSIFIED - Foreign Economic Relations: Closure of Permanent Communist Chinese Trade Mission to Lebanon Reported Imminent (See Embdesp-603, April 11, 1960)

A number of local papers reported last week that the permanent Communist Chinese Trade Mission to Lebanon, established under the terms of the Chicom - Lebanese Trade Agreement of December 31, 1955, was about to close its doors. Most of the reports indicated that the Trade Mission was being terminated because the Chinese were dissatisfied with the progress made in expanding trade between the two countries. Some of the papers also speculated that the departure of the Trade Mission would signal the suspension of economic relations between Lebanon and Communist China.

CONFIDENTIAL - Comment: The Lebanese Foreign Office has confirmed that the Chinese Communists are withdrawing their Mission, and that the remaining members of the Mission will probably depart by the end of April. Both the Foreign Office and the Nationalist Chinese Ambassador indicate that probably the real reason behind the sudden departure of the Trade Mission is the Mission's lack of success in improving the diplomatic position of Communist China in Lebanon and in weakening that of the Chinese Republic. Growing concern on the part of the Lebanese Government at Chinese Communist penetration in the Arab world may well have constituted an additional factor leading to the closing of the Mission.

In any case, the press was probably off-base in citing lack of progress in promoting trade as a reason for the decision. While figures are not yet available for 1959, the value of Lebanese imports from the Chinese Mainland increased from LL 1,085,000 in 1957 to LL 1,271,000 in 1958, a year during which imports from nearly all other countries fell off. The speculation that economic relations between the two countries will be broken off is also ill-founded, since the Foreign Office states that Lebanon's Trade Agreement with the Peiping Government will not be affected by the departure of the Trade Mission. It can be assumed that Lebanese imports of Chinese specialties such as spices, silk goods, oriental rugs, porcelain and animal bristles will continue, although perhaps at a slightly lower level than previously.

X. CONFIDENTIAL - Labor: (a) Soviet May Day Invitation to Jami'at

For the first time since 1956, the Soviet "trade unions" have issued an invitation to Lebanon's Jami'at labor federation, an affiliate of the International Confederation of Free Trade Unions (ICFTU), to send fraternal delegates to Moscow for the May Day observances. Two Jami'at affiliates are reported to have received similar invitations. After a series of deft maneuvers by Jami'at President Hussein Ali HUSSEIN, it now appears that the federation will reject the invitation, despite pressure from the secondary leadership to accept it. No definite information is available as to the action to be taken by the two affiliated unions, but they are unlikely to adopt a course at variance with that of the parent federation.

Comment: Thanks to Hussein's skillful handling of the situation (he still could be overruled by the Executive Board), the Jami'at's general opposition to an exchange of visits with Iron Curtain countries appears to remain intact. If the Jami'at were to be represented at the May Day celebration, the Soviets could be depended upon, in their drive to exploit ICFTU weaknesses, to put that fact to the most effective use among the uncommitted labor organizations of the Middle East.

CONFIDENTIAL

0129

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

CONFIDENTIAL

Page 6
Despatch 612
From BEIRUT

Jami'at were to be represented at the May Day celebration; the Soviets could be depended upon, in their drive to exploit ICFTU weaknesses, to put that fact to the most effective use among the uncommitted labor organizations of the Middle East.

UNCLASSIFIED - (b) IFFW Officials to Plan Beirut Seminar

Word has been received from Curtis J. Hogan, International Representative, International Federation of Petroleum Workers that he and Frantz Loriaux, IFFW Middle Eastern representative, will arrive in Beirut on April 29 to begin an initial planning for an educational seminar to be held here in October. If IFFW plans are realized, this would mark the second of such meetings, the first having recently been concluded in Tunis. Attendants at the Beirut Seminar would come from oil workers unions in the Arab states with the possibility that Iranian representatives might be invited.

The Lebanese delegation returned to Beirut on April 11 from the Tunis Seminar after first having attended the Congress of Union Generale de Travailleurs Tunisiens (CUGTT). The returnees are: George Sacre, President, Mobil Oil Employees Union; Wadih Simaan, President, Mobil Oil Workers Union and member, IFFW Board of Directors; Ibrahim Awarki, President, Shell Workers Union and Joseph Barbari, Secretary General, LEPCO Employees and Workers Union. Sacre played a leading role at the Tunis Seminar and is expected to be an important figure in the Beirut Conference as well.


Robert McClintock

Contributors:

THENesbitt, CBCook,
LCTihany, HDSnell

Copies sent: AmEmbassies Amman, Ankara, Baghdad, Cairo, Jidda, London, Paris,
Tel Aviv, Tripoli; AmConsGen Aleppo, Damascus, Dhahran;
AmConsulates Aden, Kuwait.

CONFIDENTIAL

0 1 3 0

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

Air Pouch
PRIORITY

CONFIDENTIAL
(Security Classification)

DO NOT TYPE IN THIS SPACE

FOREIGN SERVICE DESPATCH

883a.00/4-2860

FROM : AmEmbassy BEIRUT

643

DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

April 28, 1960

DATE

REF : CERP, Section C, Item 1; Embdesp 612, April 13, 1960

MAY 4 1960

15 For Dept. Use Only	ACTION	DEPT.	I N F O
	REC'D	OTHER	
5/5	COM-12	REP-1 IRC-15 ICA-11 U/MS-1 E-7 NEA-4 E-1	
		OCB-2 TR-3 FRB-2 XMB-4 LAB-6 TAR-2	
		USIA-10 OSD-2 ARMY-35 NAVY-20 AIR-30 CIA	

SUBJECT: Biweekly Economic Review No. 15 - Lebanon - Period Ending April 28, 1960
FAA-5 CAB-6 IN-7 AG-8

Contents

- I. UNCLASSIFIED - Highlights
- II. LIMITED OFFICIAL USE - Foreign Trade and Economic Relations: Feeling Intensified Over Cleopatra Case
- III. UNCLASSIFIED - Concessionary Companies: Parliamentary Committee Approve "Lebanization" of Beirut Port Company (See BER-14)
- IV. UNCLASSIFIED - Government Policy: U. S. Company's Bid to Supply Statistical Machinery Wins Provisional Acceptance (See BER-14)
- V. UNCLASSIFIED - Foreign Trade and Economic Relations: Syrian Decision to Ban Import of Luxury Goods Affects Lebanese Economy
- VI. UNCLASSIFIED - Industry: Textile Manufacturers Demanding Higher Tariff Protection
- VII. OFFICIAL USE ONLY - Labor: Mediation to Begin in Esso Dispute
- VIII. LIMITED OFFICIAL USE - Civil Aviation: LIA Exchanging Sabena Management

I. UNCLASSIFIED - Highlights

Press attention during the past fortnight has been focused squarely upon the furor surrounding the Cleopatra case and the speculation over a possible retaliatory Arab boycott of U.S. shipping. U. S. ships have thus far continued to unload their cargoes in Beirut without incident, including those which have been unable to do so in the neighboring port of Latakia. However, local agents of U.S. shipping lines are braced.

RPSmith:fml

CONFIDENTIAL

ACTION ASSIGNED TO:		ACTION TAKEN	
NAME OF OFFICER & OFFICE SYMBOL	DATE OF ACTION	DIRECTIONS TO RM/R	

ACTION COPY - DEPARTMENT OF STATE

The action office must return this permanent record copy to RM/R files with an endorsement of action taken.

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

CONFIDENTIAL

Page 2
Despatch 643
From BEIRUT

for a boycott on April 30 if the pickets are not withdrawn from the Cleopatra by the midnight April 29 deadline. Remington Rand has provisionally won a bid to supply the Lebanese statistical center with tabulating equipment, and smuggling of goods from Lebanon into Syria is almost certain to increase in the wake of a Syrian decision to ban the import of luxury goods.

II. LIMITED OFFICIAL USE - Foreign Trade and Economic Relations:
Feeling Intensified Over Cleopatra Case

The controversy caused by the picketing of the UAR ship Cleopatra in New York on April 13 was initially handled with considerable restraint in local newspapers. Developments in the case have consistently been given front-page treatment, with a noticeable hardening of the Lebanese position appearing during the past 48 hours. The moderate president of the local stevedores union was able to suppress the initial pressure of the rank and file of the union to initiate an immediate boycott on U.S. ships here, and although he has been in Cairo since April 21 attending the meeting of the International Confederation of Arab Trade Unions (ICATU), his colleagues have thus far been able to maintain the same discipline and are likely to retain control until the deadline at midnight on April 29.

Thus far, U.S. ships entering the port of Beirut have been able to unload their cargo without incident, even those which were unable to do so at the neighboring port of Latakia in the Syrian region. Local agents of U.S. shipping companies, however, are now braced for a boycott unless the picketing in New York is halted before the April 29 deadline. U. S. flag vessels carried only 3.9% of the total cargo handled in the port of Beirut during 1959, and the number of U.S. ships calling here during that year comprised only 4.8% of the total number.

Lebanese union leaders appear not to be anxious to initiate a boycott of U.S. ships, but will certainly go along with any decision taken in Cairo. Speculation in the press is continuing that the boycott may spread to the Beirut International Airport and to American firms and products. Since most workers at Beirut's airport are government employees and unorganized, however, and since unions connected with the oil companies working at the airport are not affiliated with the ICATU, they will probably resist joining the boycott unless the pressure becomes unbearable.

Comment: It is perhaps significant that one of the most common statements made by Lebanese when discussing the Cleopatra case is that it comes at a time when Arab-American relations have been greatly improving, and that it is a pity that these relations are now strained over such a minor incident. Until the past 48 hours, most Lebanese newspapers placed the blame for the Cleopatra incident not so much on the U.S. as upon the "Zionists who subverted a free American trade union." Now, however, more papers are calling upon the U.S. Government to take "immediate action."

CONFIDENTIAL

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

CONFIDENTIAL

Page 3
Despatch 643
From BEIRUT

III. UNCLASSIFIED - Concessionary Companies: Parliamentary Committees
Approve "Lebanization" of Beirut Port Company (See BER -14)

Prime Minister Rashid Karame, speaking at a press conference on April 13 in his capacity as Minister of Finance, confirmed that the Government has withdrawn the concession from the Beirut Port Company and "Lebanized" the previously French-owned firm. Mr. Karame revealed that the Government will pay the company LL 10 million (\$1.00 equals LL 3.18) as compensation for withdrawing the company's concession 30 years before it expires. The company will now become wholly Lebanese owned and operated and will pay income tax to the Government beginning from January 1, 1960. The company will also pay the Government LL 3.5 million as royalties due since the country obtained its independence in 1943. A similar sum will also be paid to the Government as income tax arrears. The company will now operate as a purely private enterprise, sharing its net profits with the Government. The present management will continue to operate the company until 1990, after which it will become government property. No compensation will be due the company at the end of that 30-year period.

The agreement between the Port company and the Lebanese Government was transmitted to the Chamber of Deputies on April 14 and was approved unanimously on April 20 by a joint meeting of the parliamentary committees for finance, justice and public works. Early approval by the full Chamber of Deputies is expected.

LIMITED OFFICIAL USE - Comment: Negotiations leading to the agreement were handled for the company by by Mr. Sami SHOUCAIRE, a leading Lebanese banker, businessman and stockholder in the Port company, and by Mr. Paul KLAT, the principal economic advisor to Prime Minister Rashid Karame, for the Government. In typical fashion, however, Mr. Klat is also a stockholder in the Port company and a close friend of Mr. Shoucaire. Nevertheless, the possible issue of conflict of interest has not arisen and probably will not. Indeed, the Parliamentary committees specifically commended the Government negotiator for concluding the successful agreement. Mr. Shoucaire has wryly admitted to Embassy officers that when Mr. Klat balked at certain points during the course of the negotiations, Mr. Shoucaire would gently remind him that he was after all himself a stockholder in the Port company. The negotiations were therefore amicable throughout, and the present shareholders are pleased with the results.

IV. UNCLASSIFIED - Government Policy: U.S. Company's Bid to Supply
Statistical Machinery Wins Provisional Acceptance (See BER-14)

On April 22 the Committee of Adjudication sitting on the bids for the tabulating and calculating machinery for the Government's Statistical Center provisionally awarded the bid to the Remington Rand Company. Final approval or disapproval is the prerogative of the Minister of Planning, who has been ill and has not yet taken any action.

CONFIDENTIAL

0133
DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

CONFIDENTIAL

Page 4
Despatch 643
From BEIRUT

CONFIDENTIAL - Comment: Ordinarily the Minister's approval would be only a formality. In this instance the Minister may take into consideration a complaint filed by the IBM representative who came to Beirut from Cairo for the April 22 announcement of the successful bidder. The IBM complaint challenges the legality of the whole adjudication procedure under which Remington Rand was selected. If the Minister listens to the IBM complaint and disapproves the award of the Adjudication Committee, he may order a new adjudication process. In this event the final award may go neither to Remington Rand nor to IBM (which has now readjusted its bid below that of Remington Rand), but rather to the Bull Company of France, which has extensive influence throughout the Government of Lebanon. The Embassy has informed representatives of both IBM and Remington Rand that it would regret to see such a struggle between two U.S. companies in Lebanon, especially since Bull might turn out to be the ultimate beneficiary.

V. UNCLASSIFIED - Foreign Trade and Economic Relations: Syrian Decision to Ban Import of Luxury Goods Affects Lebanese Economy

The news that authorities of the Syrian province of the UAR had again decided to ban the import into Syria of "luxury" goods such as automobiles, motorcycles, refrigerators, washing machines, etc. was given prominent treatment in Beirut newspapers on April 24. Some concern was evidenced in the press that the decision would have a depressing effect on Lebanon's trade with Syria and on movement through the port of Beirut. In an interview on April 26, however, Minister of National Economy Philippe Takla informed inquiring newsmen that the decision would not have a serious effect on the Lebanese economy since Syria had already been diverting its imports to the port of Latakia. He predicted that the consequences would hardly be felt in Lebanon and that it was no cause for alarm.

LIMITED OFFICIAL USE - Comment: Although Mr. Takla is undoubtedly correct in his assertion that the Syrian decision will probably have only a slight effect in Lebanon, he left unsaid what most Lebanese businessmen are quick to admit: that such luxury goods will undoubtedly continue to move into Syria, even if they are smuggled. In the past, even such large items as refrigerators have been smuggled into Syria from Lebanon despite the presence of a ban on such imports.

VI. UNCLASSIFIED - Industry: Textile Manufacturers Demanding Higher Tariff Protection

The managers of Arida Textile Plant, Lebanon's second largest, are again bringing pressure on the Government to increase customs duties on imported cotton textiles, particularly those coming from the UAR and from behind the Iron Curtain. The Arida management and other Lebanese textile manufacturers claim that those countries are "dumping" such textiles on the Lebanese market, and that it has had the effect of

CONFIDENTIAL

0 1 3 4
DECLASSIFIED
Authority NND 949569
By ET NARA Date 7/23/04

CONFIDENTIAL

Page 5
Despatch 643
From BEIRUT

undercutting the Lebanese manufacturers' sales and building up huge inventories. The Aridas have informed the Government that unless some government action is forthcoming in the immediate future, they will have no choice but to discharge some 300 workers from their Tripoli plant. Labor unions in the textile industry, as well as the United Unions headed by Gabriel Khoury, are giving full support to the Arida management in their plea for more government protection. Increasing support for the company's position has also been evidenced in the Beirut press. A government-labor-management committee has been appointed to investigate the Arida situation and make recommendations for a solution.

LIMITED OFFICIAL USE - Comment: Fuad NASR of the Ministry of Labor and Social Affairs has informed an Embassy officer that the investigations of this committee have revealed the fact of widespread smuggling of Syrian finished textiles and a coordinated UAR dumping scheme. With respect to the former, he stated that large trucks loaded with woven cloth traverse the border daily with the Lebanese authorities reluctant to stop them for fear of touching off civil disturbances in North Lebanon.

According to Nasr, the UAR Government apparently approaches the dumping question from two angles. First, a 25% duty is levied on raw Syrian cotton shipped to Lebanon. (Arida's principal source of cotton is Syria.) The funds realized from the imposition of this duty are placed in a special fund from which subsidy payments are made to Syrian textile manufacturers to keep the price of their export goods destined for Lebanon below the prevailing price of Lebanese-produced cloth.

Nasr says that his committee has recommended that this question be raised at the next meeting of the Economic Council of the Arab League in an effort to have the UAR desist from this practice. In the event no agreement is reached in the Economic Council, the committee will then recommend a substantial increase in the tariff on imported cotton cloth. He was uncertain as to the fate of the committee's recommendation that the border patrols on the main roads be strengthened.

VII. OFFICIAL USE ONLY - Labor: Mediation to Begin in Esso Dispute

Afif ZINATI, President of the Esso Employees and Workers Union, has informed the Embassy that the UUEW, to which his union is affiliated, has referred the long-standing wage dispute with the oil marketing company to the Ministry of Labor and Social Affairs. UUEW representatives are to hold their initial meeting with Ministry officials on April 28 in an effort to obtain a more favorable settlement from the Company than its last offer of a 5% cost-of-living wage increase.

Comment: Zinati, who has displayed considerable patience in negotiating with Esso Management, says that he intends to exhaust all legal means of settling the dispute before permitting any move for strike action. It is possible that the Ministry may recommend that the Company grant some of the demands of the Union in line with the

0135
DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

CONFIDENTIAL

Page 6
Despatch 643
From BEIRUT

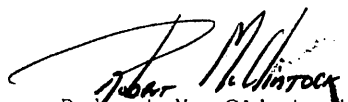
superior pay and conditions offered by Esso's competitors.

VIII. LIMITED OFFICIAL USE - Civil Aviation: LIA Exchanging Sabena Management Agreement for Air Liban

The Embassy has received information that Lebanese International Airways (LIA) does not intend to renew the Sabena-LIA management agreement which terminates in June, 1960. As a replacement to Sabena LIA is reportedly negotiating a new management agreement with Air Liban. Although no official announcement has been made by either company, the new agreement is expected to be similar to the LIA-Sabena agreement (Embdesp 737, June 21, 1958).

In view of the pending discontinuance of the LIA-Sabena management agreement, differences regarding bills payable and termination arrangements have appeared at the management level of the two carriers. As a result of these differences, Sabena, in anticipation of some overt action that might be taken by LIA, diverted to Brussels certain of the Sabena aircraft that have been under lease to LIA, and LIA management in retaliation is holding one Sabena DC-6 at Beirut. Such action, it is believed, is based on the fact that Sabena, in its operational management of LIA, has contracted a sizeable amount of debts which they (Sabena) claim are the responsibility of LIA. On the other hand, LIA, although the outstanding accounts were contracted in the name of LIA, claims these outstanding accounts should be satisfied by Sabena. LIA has not been operating since April 25, 1960, and is actively attempting to arrange for aircraft and operational personnel. Confusion will perhaps continue for the immediate future.

Comment: If it develops that LIA and Air Liban enter into a management agreement, it could be a forerunner of full unification of the two Lebanese certificated air carriers, which certainly would be a step in the right direction. However, the owners (the Arida textile family) are very unpredictable, and could change their position overnight if it were to their advantage. The local representative of the Babb Company, Mr. Ralph RHEA, submitted at the request of the Arida brothers what appeared to be a very satisfactory aircraft leasing plan. However, nothing developed because of the unwillingness of the Arida brothers to provide an adequate letter of credit.


Robert Mc Clintock

Contributors:

LCTihany HDSnell
MMTurner

Copies sent: AmEmbassies: Amman, Ankara, Baghdad, Cairo, Jidda, London, Paris; Tel Aviv, Tripoli; AmConsGen Aleppo, Damascus, Dharan; AmCon Aden, AmCon Kuwait.

76

0 1 3 6

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

Air Priority
PRIORITY

UNCLASSIFIED
(Security Classification)

DO NOT TYPE IN THIS SPACE

FOREIGN SERVICE DESPATCH

883a.00/4-2860

FROM : Embassy BEIRUT

645

DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

April 28, 1960

REF : CERP Section C, Item 2; Embdesp 414, Jan. 19, 1960; CERP Section D, Item 1

I-A-3,4,6; B-1,2,3,5; II-A-2,8,6; B-1; III-A-1,3; IV-A-3,4,5,6; V-A-1,2,3,4,5,6; VI-A-2; VII-A-1,6; VIII-A-1,2,4,5,6; B-1,2,3; IX-A-2; B-2

27 For Dept. Use Only	ACTION *COM-12	DEPT. I IN F O	OTHER *NER-1 *NEA-3 E-3 *IRC-8 *ICA-11 ENR-3 *TAR-2 *TR-3 *FRB-3 *NMB-4 CIA-10 AG-8 IN-7 L-10 ARMY-8 NAVY-3 CL-4 WSA-10 HFA-2 CAB-6 FPA-5
-----------------------------	-------------------	----------------------------	---

SUBJECT: Lebanon: Summary of Economic Developments - First Quarter 1960 OSD
ARMY-8 NAVY-3 CL-4 WSA-10
HFA-2 CAB-6 FPA-5

TABLE OF CONTENTS

	Page
Summary	2
I. Finance	
A. Money and Banking	3
B. State Budget	4
C. Exchange Market	5
D. Stock Exchange	6
II. Foreign Trade and Economic Relations	6
III. Agriculture	8
IV. Industry	9
V. Construction and Rents	9
VI. Tourism	9
VII. Domestic Business	10
VIII. Transportation and Communications	10
IX. Petroleum Affairs	11
X. Labor	12
XI. Economic Development and Foreign Aid	12
XII. Government Policy	14

Lebanon - Economic Indicators

Enclosure No. 1

RPSmith/bm
REPORTER

UNCLASSIFIED

ACTION COPY - DEPARTMENT OF STATE

The action office must return this permanent record copy to RM/R files with an endorsement of action taken.

DECLASSIFIED

Authority NND 949569

By PT NARA Date 7/23/04

UNCLASSIFIED

Page 2
Despatch 645
From Beirut

NOTE:

The Department was informed by EmbDesp 494, February 19, 1960, that the closing of the Lebanese Government's central statistical office and the resulting paralysis of the collection of statistical data in Lebanon would probably delay reporting in many fields. This despatch has been delayed for two weeks to permit the Embassy to obtain meaningful statistical data. It is now being submitted without complete statistics, since the Embassy does not wish to delay transmission any longer. The statistical office of the Lebanese Government is not yet functioning, and there is no indication as to when it will begin operations again.

* * * * *

SUMMARY:

Developments during the first quarter of 1960 show very clearly that the booming fourth quarter of 1959 was not an isolated boomlet but rather part of an upward trend that is still continuing. Although in some sectors there has been a slight drop in activity from the last quarter, the Lebanese economy is nevertheless thriving and has obviously recovered almost completely from the tragic events of 1958. Lebanon is continuing to exploit its favorable geographic position and is continuing to rely heavily upon trade and services as its principal income earner. Banks are prospering, port activity continued to climb during the reporting period, and the present trend indicates that 1960 will almost certainly surpass the 1957 level of port activity, barring unforeseen disturbances in the area. Retail activity is thriving, and the construction boom is continuing in Beirut. The latter is probably a sign of weakness in the long run, since it is almost wholly dependent upon a continuing inflow of capital from neighboring oil-rich Arab states.

Many American firms are continuing to profit from Beirut's position as an international trade center with a well-equipped port and excellent transportation, insurance, banking and storage facilities. Due to its traditional policy of non-expropriation, free trade, free currency convertibility and a minimum of government interference in private enterprise, the over-all investment climate in Lebanon remains generally favorable. Lebanon continues to have a large visible trade deficit, but as has traditionally been the case, it has no balance of payments problem and is continuing to run an annual surplus. The trade union movement is continuing to grow in bargaining power, and although there was one serious strike during the quarter involving an American firm, the labor situation is fairly stable. The Government is continuing to push hard on its development projects and has just appropriated the entire L.L. 51.4 million $\checkmark$ received from

$\checkmark$ \$1.00 = L.L. 3.18

UNCLASSIFIED

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

UNCLASSIFIED

Page 3
Despatch 645
From Beirut

the Iraq Petroleum Company (IPC) last year for development and public works projects.

The agricultural sector continues to be troublesome, and prolonged dry weather through the winter has caused a fairly serious drought situation resulting in a U.S. grant of 20,000 tons of P.L. 480, Title II wheat. The Lebanese apple and citrus fruit crop has continued to move well into foreign markets, however, with Soviet Bloc nations rapidly emerging as one of Lebanon's principal customers for her fruit.

Despite the small size of the country, its limited markets, its lack of natural resources and its dependence upon external factors beyond its own control, Lebanon's status as a trade and service center for the Middle East continues, and the traditional shrewdness and self-reliance of the Lebanese business community remains as one of Lebanon's major assets.

* * * * *

I. FINANCE

(a) Money and Banking

Lebanese banks continued to thrive during the first quarter of 1960, and the number of banks continued to increase. By the end of the quarter there were 44 approved banks operating in Lebanon and an unknown number of small banking operations which have not received formal approval from the Government. Two new banks were registered during the quarter, and a third, organized last year, opened its doors for business. While there appears to be a growing awareness in established banking and financial circles that a continued proliferation of new banking institutions would be undesirable and perhaps dangerous, there are as yet no signs that the Government is willing to interfere in this traditionally unregulated field.

A good indication of banking activity during the quarter appears in the figures for bank clearings (January - L.L. 190 million, February - L.L. 186 million, March - L.L. 192 million). By comparison, clearings for the first quarter of 1959 averaged approximately L.L. 136 million monthly. The figure for March 1960 was surpassed only in October and December of last year.

Bank credit was readily available to the commercial sector during the quarter, but agricultural and development credit was extremely difficult to obtain through normal banking channels. This, of course, is not a new situation; Lebanese banks have avoided loans of the latter type as long as their funds could be more profitably utilized with less risk in the commercial area. At present there are only two banks in Lebanon specializing in industrial development loans.

UNCLASSIFIED

0139

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

UNCLASSIFIED

Page 4
Despatch 645
From Beirut

One has been relatively inactive, and the other must wait upon the formal signing of its loan agreement with the Development Loan Fund before it can accept further commitments. (See Section XI.)

The absence of accurate and up-to-date statistics, mentioned elsewhere in this despatch, is also a serious handicap in the fiscal sector. This difficulty is compounded by the local laws and customs protecting the confidential nature of both public and private banking operations. For example, the Embassy has not been able to obtain figures on foreign exchange holdings, either Government or private, for any period since August 1959. Figures on local currency bank deposits and bank loans and discounts, while generally available to the public on a fairly current basis, have not yet been compiled for the months following December 1959. A comparison of fourth quarter 1959 figures for Lebanese pound bank deposits and bank loans and discounts reveals that both continued to grow at a substantial rate. It is noted, however, that while during the first three quarters of 1959 deposits grew much more rapidly than loans, during the last quarter there was a reverse in this trend and loans were increasing at a slightly faster rate than deposits. At the end of September, total local currency deposits (private and Government) stood at L.L. 814 million, loans and discounts at L.L. 691 million. At the end of December, deposits totalled L.L. 856 million, of which L.L. 778 million were sight deposits, and loans and discounts totalled L.L. 744 million. A rough estimate has been made which would indicate that demand deposits at the end of the first quarter surpassed L.L. 850 million, or roughly four and a quarter times the authorized capital of approved Lebanese banks.

While no objective information is available on the movement of foreign exchange during the first quarter, conversations with local business and bank people and personal observations indicate that there has been a continued net inflow of private capital, perhaps at an even faster pace than the record inflow during late 1958 and the first eight months of 1959. (See Section V.)

Pointing to the state of equilibrium in the public finances was the stability of the currency issue during the first quarter. The currency in circulation remained unchanged throughout at the level of L.L. 400 million, the same level maintained since October 1959. There were also no changes within the currency cover, the gold content being maintained at 85.5 percent.

(b) State Budget

The 1960 Ordinary State Budget was approved by Parliament on January 29, the first year since 1956 in which the budget has not been issued by Government decree. The Ordinary Budget estimates of L.L. 222,235,000, which represent only 60 percent (approximately) of the Government's total receipts and expenditures, are the highest in history and show an addition of L.L. 2.2 million to the

UNCLASSIFIED

0 1 4 0
DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

UNCLASSIFIED

Page 5
Despatch 645
From Beirut

proposed budget submitted to Parliament by the Government last fall. The budget figure reflects an increase of some L.L. 16 million over 1959 and L.L. 28 million over 1958 when supplementary appropriations are deducted from the totals for the previous years. Despite the unprecedented level of proposed expenditure contained in the Ordinary State Budget, it is expected that increased revenues, including a considerable sum deriving from last year's IFC oil royalty agreement, will result in a substantial budgetary surplus, which will be available for so-called Extraordinary (largely developmental) Expenditures. It is noted, however, that although Ordinary State Budget surpluses have been the rule during recent years, total central government expenditures, including expenditures outside the Ordinary State Budget, have usually exceeded total revenue, resulting in continuing deficits in over-all central government operations. A summary presentation of this year's budget is contained in Embassy despatch 535 of March 3, 1960.

(c) Exchange Market

The first quarter of 1960 saw a general slackening in foreign exchange market operations, reflecting the normal seasonal decline in business activity during this period of the year. Nevertheless, most currencies appreciated by small amounts relative to the Lebanese pound; a notable exception was the Syrian pound, which continued in a gradual descent begun in mid-November.

The most noteworthy development during the quarter was the sharp fluctuation in both Egyptian currencies quoted on the local market. At the beginning of the year the Egyptian pound, non-resident (commercial account, was being quoted at L.L. 6.64, a rate well above that obtaining during most of 1959. On February 17 the non-resident pound had reached L.L. 7.85, a rise of over 18 percent in six weeks. During the last half of the quarter the pound fell almost as rapidly as it had risen and on March 31 was being sold at L.L. 7.25. In similar fashion the Egyptian banknote rose from L.L. 6.04 on January 2 to L.L. 6.90 on February 1, only to fall back to L.L. 6.53 by the end of the quarter. Several reasons have been advanced for this rather spectacular rise and fall: the reduction during early January of the premium payable by Egyptian importers on goods purchased abroad from 27½ percent to 20 percent, with subsequent local speculation that the premium might be reduced even further, the Soviet offer to finance the second stage of the High Dam, and the reported fact that the Egyptian authorities had achieved some temporary success in curtailing the smuggling of Egyptian currency to Lebanon, thus reducing the supply of Egyptian pounds on the local market.

Other currencies, including the dollar, the pound sterling, the Jordanian dinar, the Iraqi dinar, export account, and the Saudi rial made much smaller gains. The commercial dollar, which has been in a slow but continuous climb since early last November, was quoted on January 2 at L.L. 3.18. On March 31

UNCLASSIFIED

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

UNCLASSIFIED

Page 6
Despatch 645
From Beirut

it was being sold at L.L. 3.185. The Iraqi dinar, export account, in a very gradual rise since early last fall, was quoted at the beginning of the new year at L.L. 8.90. By the end of the quarter it was being offered at L.L. 8.94, the highest level it has attained in many months.

The only important currency quoted locally to oppose the general trend was the Syrian pound. The Syrian counterpart of the Lebanese pound began to show some weakness late in October of 1959, fell below the level of L.L. .87 on November 12 and at the beginning of 1960 was quoted at L.L. .868. The first three months of this year saw some fluctuation, but the trend was still generally downward. At the end of the quarter the Syrian pound was being sold at L.L. .864. Although the drop during the quarter was comparatively small, the continuation of the trend is believed significant, particularly in view of the opposite tendencies of most of the other important currencies quoted on the local market.

(d) Stock Exchange

The Beirut Stock Exchange witnessed a tremendous burst of activity during the first quarter of 1960. During the three months period 96,444 shares changed hands as compared to 42,342 during the first quarter of 1959. In the month of March alone some 42,500 shares were sold, valued at nearly L.L. 9 million. This was the largest volume of business for a single month since the exchange opened in the early 1930's. Trading in the shares of the Beirut Port Company accounted for more than half of the March volume. More than 22,000 shares of this stock were bought and sold, representing a face value of nearly L.L. 6 million. This almost unprecedented activity in Port Company stock was the direct result of speculation over the results of the closed-door negotiations conducted during the quarter between the Government and the company, negotiations which were aimed at revising the terms of the company's concession.

While the Port Company stock showed a net gain for the quarter of approximately L.L. 10, the stock of the Compagnie Libanaise des Petroles rose 104 points, and at the end of the quarter was being traded at a record L.L. 374 per share. This rise was also based entirely on speculation as reports spread that the company's oil exploration studies were progressing well ahead of schedule and that actual drilling would commence at the beginning of this summer.

II. FOREIGN TRADE AND ECONOMIC RELATIONS:

Reflecting an upward trend which has been apparent throughout 1959, figures for the first quarter of 1960 reveal that Beirut port activity has continued to climb. Although 1959 port activity did not quite reach the 1957 level, the present trend indicates that 1960 will almost certainly surpass the 1957 figures, barring unforeseen political disturbances in the area.

UNCLASSIFIED

0142

DECLASSIFIED
Authority NND 949569
By ☒ NARA Date 7/23/04

UNCLASSIFIED

Page 7
Despatch 645
From Beirut

Transit movement, however, a once-flourishing activity which contributed heavily to the prosperity of Lebanon, dropped somewhat during the reporting period, reflecting the increasing reliance of Syria on the port of Latakia and of Jordan on the port of Aqaba. Transit movement figures for January and February reveal a slight drop over those of the last quarter and a substantial drop (less than half) over the corresponding period of 1957. Most Lebanese businessmen and Government officials, however, tend to discount the significance of the diminution of the transit trade, and Lebanon's increasing prosperity tends to support their view.

The transit trade agreement between Lebanon, Jordan, Saudi Arabia and the UAR, initialled by the delegates of all four countries on December 9, 1959, has not yet become operative, due apparently to a Syrian reluctance to follow through on the agreement. Since the pact fixed the share of transit goods to be carried by the vehicles of each country, eliminated the imposition of taxes on transit goods, provided for a limited quantity of such goods to be carried by railway, and called for the freedom of transport by trucks of all merchandise destined for or coming from Saudi Arabia and Kuwait, the agreement, if and when it becomes operative, will be of considerable benefit to the Lebanese economy. Lebanese officials remain hopeful that it will come into force in the near future and eliminate some of the problems which have long plagued transit trade relations between the four countries.

The Lebanese Government is continuing its attempts to strengthen trade relations between the various Arab states and participated in the Arab League Economic Council meeting in Cairo early in March. The meeting ended without final decisions on many substantive questions, but Lebanese officials attending the conference have indicated that the discussions were helpful in clarifying the issues.

Although the United States and western European countries have continued throughout the reporting period to maintain their favorable position in Lebanon's trade pattern and to dominate much of the Lebanese market for consumer goods, Lebanon has succeeded in stepping up its export of apples and citrus fruits to the Soviet Bloc nations. The United States continues to have a reasonable share of the Lebanese retail market, and American products enjoy considerable popularity among Lebanese consumers. The Embassy has stepped up its assistance to American businessmen in Lebanon, and with the arrival of a new Commercial Attache is now in a much better position to provide such assistance.

Despite Lebanon's dependence upon imports and the resulting large visible trade deficit, virtually all observers agree that her balance of payments position is favorable. No accurate data are available, but capital inflow, particularly from oil-rich Arab states, is apparently continuing at a steady pace. Lebanon has capitalized on her favorable geographic location and climate, and Beirut has continued in its prosperous role as a trade and service center for the entire area.

UNCLASSIFIED

0143

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

UNCLASSIFIED

Page 8
Despatch 645
From Beirut

III. AGRICULTURE:

The agricultural sector continues to be one of the weak spots in an otherwise thriving Lebanese economy. Already severely hamstrung by mountainous terrain and a lack of tillable land, the problem was intensified this winter by a prolonged dry spell which has severely affected the wheat crop in the northern Beka'a Valley. At the end of the reporting period, rainfall in the Beka'a Valley, the breadbasket of Lebanon, was substantially less than it was last year, itself a very dry year. Snowfall in the mountains was also light throughout the winter, and Minister of Agriculture Fuad Najjar has appointed an emergency committee to deal with an anticipated water shortage in the cities and villages this summer. A few swarms of locusts also spilled over the borders into Lebanon but were controlled by teams from the Ministry of Agriculture without undue difficulty. The Senn Pest has continued to cause additional damage to the already poor wheat crop, and the announcement in March of the gift of 20,000 tons of P.L. 480 Title II wheat was warmly welcomed in the Lebanese press and in Lebanese Government circles.

The citrus crop has continued to move well in foreign markets, and export figures for both apples and citrus fruit held steady throughout the quarter. At the end of the reporting period, 51,372 tons of apples and 71,036 tons of citrus fruit had been exported since the beginning of the 1959-60 season. Neighboring Arab states remain Lebanon's best customers for these crops, although Soviet Bloc nations and particularly Soviet Russia have stepped up their purchases during the first quarter. Following a market survey trip to Europe, the Director of the Lebanese Fruit Office informed Lebanese fruit exporters in a public statement that their exports could have been higher were it not for Lebanon's "poor reputation" in European markets. This reputation, he stated, is due to the continued poor standards of grading and packing and the unfortunate tendency on the part of some Lebanese exporters to place top quality fruit only on the top layers of the boxes, leaving poorer quality fruit underneath. The Fruit Office, however, is continuing its efforts to improve grading and packing standards, and the building of additional cold storage and packing plants should also help to improve the reputation of Lebanese fruit abroad.

Now largely denuded of what was once large stands of timber, Lebanon has also taken steps to encourage large-scale plantings of trees. The Minister of Agriculture proclaimed February as "Reforestation Month" and personally launched the reforestation drive by a symbolic planting of the first tree of the campaign. Hundreds of volunteers from schools, colleges, and civic and agricultural organizations assisted in the campaign and planted several thousand pine, fir and cedar trees.

UNCLASSIFIED

0144

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

UNCLASSIFIED

Page 9
Despatch 645
From Beirut

IV. INDUSTRY:

The Government of Lebanon, becoming even more conscious of the nation's unhealthy dependence upon trade and services, is continuing its efforts to encourage the development of viable industries in Lebanon. Although severely limited by the lack of natural resources and expertise, as well as by a limited internal market and severely controlled economies in surrounding states, the industrial sector has continued to grow. According to official Government figures issued in April, there are now 3,475 factories operating in Lebanon, with a total capital investment of L.L. 375,452,000, employing 26,985 workers. This compares with a 1958 total of 3,190 factories, with a total investment of L.L. 250,000,000 and employing 21,220 workers. Despite the generally fluid condition of Lebanese banks, the tendency not to invest available capital in long-term industrial projects persists. A total of 12 new companies were incorporated during the quarter, with a total capitalization of L.L. 20,800,000, a severe drop from the extraordinary fourth quarter of 1959, but an increase over previous quarters.

The textile industry appears to be somewhat less thriving than in the last quarter of 1959, and due to foreign competition is operating on reduced work schedules. Textile manufacturers continue to complain about competition from foreign textiles, and at the end of the reporting period they were bringing more pressure on the Government to increase duties on imported cotton textiles.

Cement production continues to reflect the construction boom in the Beirut area, and although figures for the first quarter are not available, 223,438 tons were produced during the last quarter of 1959, a new high.

V. CONSTRUCTION AND RENTS:

Although data on new building permits are not yet available, personal observations and conversations with bankers, contractors and other Lebanese businessmen indicate that the construction boom in Beirut is continuing. New apartment buildings are rising throughout the city, and the ever-changing skyline is a contributing factor to the high production of cement and the relatively high level of employment in the area. Despite these factors, however, the speculative building boom may well be an unhealthy sign in the long run because of the continuing high level of rents and the large number of empty apartments in the city. The bubble is almost certain to burst at some time in the future, but as long as the inflow of capital from other Arab states persists, particularly from the oil-rich countries, the boom will apparently continue.

VI. TOURISM:

Long one of the major income earners for Lebanon, the tourism industry, somewhat neglected by the Government in the past, now appears to be coming into its own in terms of Government interest and planning. A spate of committees has been

UNCLASSIFIED

0145

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

UNCLASSIFIED

Page 10
Despatch 645
From Beirut

formed during the reporting period with the express purpose of planning and promoting tourism in Lebanon and providing the industry with substantial government assistance. Several committees have been organized to plan for the next "Congres des Emigres", the date for which has tentatively been fixed for September 15, 1960. This convention is expected to be attended by several thousand emigrants and to attract sizeable sums of emigrants' foreign capital for development and industrialization purposes in Lebanon.

Because of Lebanon's favorable climate and tourist attractions, its total effect on the Lebanese economy can only increase in the future, and given adequate planning and development, it might well develop into the biggest single industry in the nation.

VII. DOMESTIC BUSINESS:

Domestic business conditions throughout the first quarter of 1960 appear to have been good, although some banking circles report that there was a very slight leveling off from the booming fourth quarter of 1959. Retail sales have held up very well, and commercial confidence appears to have regained its pre-disturbance levels.

There were 2,378 new vehicle registrations during the quarter, which compares with 1,334 during the first quarter of 1959. U.S. auto sales comprised some 16 percent of the total market. Customs receipts in March were the second highest in the history of Lebanon, and the total customs receipts for the first quarter were also second only to the booming fourth quarter of 1959. Most businessmen report that their sales are good and that they are looking forward to even more prosperous months in the near future. All kinds of consumers goods are available in Beirut, usually with wide selection of brand names, and the popular saying that "anything can be bought in Beirut -- for a price" has much truth in it.

VIII. TRANSPORTATION AND COMMUNICATIONS:

Although aircraft passenger movement figures are not available beyond the fourth quarter of 1959, reports from various airline officials and personal observations indicate that air traffic through Beirut, both passenger and freight, has continued to hold steady and possibly may have increased during the first quarter of 1960. Work on remodeling and enlarging the airport terminal is now nearing completion, and technical improvements continue to be made (see Section XI).

The Middle East Aircraft Service Company (MASCO), organized in 1955 as a joint Lebanese-British venture for the purpose of performing overhaul and maintenance work on aircraft operating in this area, completed its move to new quarters during the quarter and now has probably the most complete and capable

UNCLASSIFIED

0146

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

UNCLASSIFIED

Page 11
Despatch 645
From Beirut

aircraft maintenance and overhaul activity in the entire Middle East. Discussions are continuing between MASCO and a U.S. firm, the Babb Company, concerning the possibility of coordinating their operations, thereby utilizing the excellent repair facilities that MASCO now has at the Beirut airport.

Lebanon has been unable to reach final agreement with Iran on a Civil Aviation Agreement, although an interim air agreement was concluded in March which provided for six frequencies a week for the airlines of each country. A Civil Aviation Agreement between Italy and Lebanon was signed on February 13, 1960, but no agreement has yet been reached with the Iraqis.

The Government-owned Damas, Hama et Prolongements (DHP) and the Nkoura-Beirut-Tripoli (NBT) Railways have continued to run at a substantial deficit throughout the reporting period. Highway truck transport continues to dominate the land transportation field in Lebanon, although the railways will be helped greatly by a U.S. gift of rolling stock which arrived in February (see Section XI).

A Government decree on February 27 announced the approval of the creation of a second television station in Lebanon, and it is expected to be in operation before the end of 1960. U.S. television manufacturers are facing stiff competition from European manufacturers, particularly in terms of price and the necessity for converting U.S. sets for use in Lebanon.

IX. PETROLEUM AFFAIRS:

Lebanon produces no oil itself (although a West German firm is continuing its exploratory operations in Lebanon on behalf of the Compagnie Libanaise des Petroles), but it is continuing to profit from its favorable geographic position as a terminal for the pipelines of two major companies, the Iraq Petroleum Company (IPC), terminating in Tripoli, and the Trans-Arabian Pipeline Company (Tapline) terminating near Sidon in south Lebanon.

Although Saudi Arabia was reaching new peaks of crude oil production during the winter, Tapline throughput was cut drastically. January throughput was 322,547 barrels per day (B/D); 286,301 B/D in February; and only 217,201 B/D in March. These figures compare with the Tapline capacity of 450,000 B/D. In a period of a large surplus tanker capacity, this decrease in throughput represents the desire on the part of the shipowners to minimize tanker layups by loading at Ras Tanura instead of Sidon, by operating at reduced speeds and by taking the Cape route instead of the Suez. With the issue of transit fees through Saudi Arabia, Jordan, Syria and Lebanon still unresolved, the drop in throughput also illustrates the fact that off-takers are not dependent on Tapline. Speculation in Beirut is continuing as to the forthcoming negotiations between Tapline and the Government of Lebanon on transit fees and royalties, but no definite arrangements have yet been made.

UNCLASSIFIED

0147

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

UNCLASSIFIED

Page 12
Despatch 645
From Beirut

IPC throughput at Tripoli remained relatively unchanged since the same factors do not affect that particular company, the major Kirkuk field having no alternative outlet to the sea. However, IPC's Tripoli refinery continued to operate far below its capacity of 11,500 B/D, and during the first quarter the figures were 2,682, 2,672 and 2,687 B/D respectively.

X. LABOR:

A labor dispute dating from June 1, 1959, between the Lebanese Petroleum Company (LEPCO), the Lebanese-owned marketer of Caltex petroleum products and the LEPCO Employees and Workers Union ended on January 17, 1960, when the company granted the union's demand for a general wage reclassification. A few days earlier, the bloc led by the generally moderate Hussein Ali HUSSEIN in the Jami'at Niqabat al Ummal, Lebanon's affiliate to the International Confederation of Free Trade Unions (ICFTU), was elected in the annual election of officers.

A long-standing impasse between the Mobil Oil Company of Lebanon and the Mobil Oil Employees Union erupted into a one-day strike on January 24, which was followed by a thirty day truce period before final settlement was reached on February 22. The potentially serious labor dispute was touched off by a union demand to participate in the formulation of the company's cost-of-living index. Under the final settlement, the union accepted the company's cost-of-living index without union participation, relinquished all prior pending claims against the company and accepted the company's offer of a general increase of 4 percent in the salaries of all employees who are members of the union.

Lebanon's longest utility strike in history began on February 24 when the operators of Beirut's trams went out on strike. The strike ended on March 12 following intervention by Prime Minister Karame and other top government officials. Other negotiations between U.S. firms and local labor unions were in progress at the end of the reporting period, and the trade union movement in Lebanon appears to be growing in strength and bargaining power, despite their numerous organizing problems.

XI. ECONOMIC DEVELOPMENT AND FOREIGN AID:

The Lebanese Government continued to push its economic development plans during the reporting period, and the comprehensive survey of Lebanon's development needs by the French firm Le Centre International de Formation et de Recherche en Vue du Developpement Harmonise (IRFED) has received the full support of the Government. Although IRFED's work may be slowed down somewhat by the forthcoming elections, both Lebanese and French officials remain optimistic and hope that the project will result in a really comprehensive development program.

UNCLASSIFIED

0148

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

UNCLASSIFIED

Page 13
Despatch 645
From Beirut

The agreement reached last summer between the Iraq Petroleum Company (IPC) and the Government of Lebanon providing for the payment of L.L. 51,431,000 to the Government in settlement of all past claims against IPC has now been definitely earmarked by the Government for public works projects. The Council of Ministers transmitted to the Chamber of Deputies late in March a law listing in detail the projects for which the money is to be used (see Embdesp 586, April 1, 1959). At the end of the quarter the measure was still pending before Parliament, but its early approval, or alternatively its promulgation by decree (permissible under Lebanese law), is regarded as almost certain. The largest amount, L.L. 16,480,000, has been set aside for highways. This is followed by L.L. 12,400,000 for the provision of potable water, L.L. 6,550,000 for irrigation projects and L.L. 9,250,000 for miscellaneous projects such as a model prison and an appropriation for the proposed international fair in Tripoli.

The decision to proceed with the organization of an international fair in Tripoli came as something of a surprise to Beirut businessmen, but is apparently being supported wholeheartedly by the Government. Its location in Tripoli will almost certainly contribute to a building boom in that northern city and may go far toward stilling the cries of Tripolitans that the Government has long neglected the northern section of the country. Tentative date for opening of the international fair in Tripoli has been set for July of 1961.

On January 29 the Chamber of Deputies gave its approval to the \$5,000,000 loan granted to the Banque de Credit Agricole, Industriel et Foncier (BCAIF) by the Development Loan Fund. BCAIF Director Talha YAFFI is now in Washington for final signing of the loan, which will be used to finance industrial development projects. The \$500,000 DLF loan to the El Bared electric utility company was signed in Washington in February. The funds will be used to reconstruct a power plant which was destroyed during the disturbances of 1958.

The news late in March that the U.S. had agreed to provide Lebanon with 20,000 tons of P.L. 480, Title II wheat to help meet the shortage arising from drought and insect damage was given prominent coverage in the Lebanese press (see Section III). On February 16, 27 freight cars, the first in a series of shipments of rolling railway stock to be provided to Lebanon under a USOM grant designed to help modernize the railway system, were unloaded at the port of Tripoli. A total of 99 boxcars, 50 flatcars and 4 diesel locomotives will be brought to Lebanon under the program.

The executive development program, designed to meet an obviously urgent need for top-level management training in Lebanon, has continued to operate successfully during the reporting period. The program has been strongly supported by top Lebanese businessmen, and the long waiting list of applicants is indicative of the success of the program. It is sponsored jointly by the

UNCLASSIFIED

0149

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

UNCLASSIFIED

Page 14
Despatch 645
From Beirut

Chamber of Commerce and Industry, the Association of Lebanese Industrialists, the Business Administration Department of the AUB, and the Industry Institute in cooperation with USOM/L.

Work on the projects being financed from the proceeds of the P.L. 480 Title II wheat sold in Lebanon during late 1958 and early 1959 continued throughout the first quarter. These projects are the construction of the sewer system in Tripoli, the improvement of facilities at the airport in Beirut, the rural power transmission project and the highway development program. Construction of the Mameltein highway running north from Beirut was nearing completion at the end of the quarter and will be finished in the near future. An American FAA official arrived early in March to aid in the drafting of an airport zoning law, and another FAA official is now studying problems concerning the instrument landing system at the Beirut International Airport.

Although work on the Litani River Authority project has been severely curtailed by tunneling difficulties in one of the principal tunnels and by construction difficulties with the foundation of the key Karaoun Dam, the Litani authorities remain hopeful that the Litani project will begin to produce badly-needed electric power by its target date, the summer of 1961. When the first phase of the Litani project is completed, it is expected to produce some 88,500 KW of electricity and to irrigate approximately 24,000 acres of agricultural land.

XII. GOVERNMENT POLICY:

Although the drive by Minister of Public Works Pierre GEMAYEL and former Minister of Finance Joseph CHADER to abolish the income tax in Lebanon (both personal and corporate) has withered and apparently died before a strong and determined attack from Government and business circles, it now appears likely that the Ministry of Finance will take a very close look into the whole matter of fiscal reform in the near future. It also appears likely that a foreign tax expert may be brought into Lebanon to study the fiscal situation, now somewhat chaotic because of wholesale evasion of the existing income tax laws.

Although the Government of Lebanon has continued its opposition to the negotiation of an Investment Guaranty Agreement with the United States, the investment climate remains generally favorable, and there is no indication that there will be any change in the stated Lebanese policy of non-expropriation, free trade, free currency convertibility and a minimum of government interference in private enterprise.

The Government has continued its policy of cooperating closely with the Arab League boycott of Israel, and in addition to a small number of American firms and ships blacklisted during the quarter, several prominent American movie stars were also blacklisted for having contributed to the Israeli cause.

UNCLASSIFIED

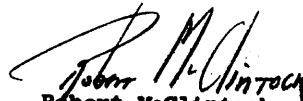
0150

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

UNCLASSIFIED

Page 15
Despatch 645
From Beirut

The eight-man cabinet headed by Prime Minister Karame continued in office throughout the reporting period and in general continued to enjoy a fairly high degree of confidence. Some Government confusion may result from the forthcoming elections in the spring or early summer, but there seems to be a well justified belief that Lebanon has matured enough to withstand the rigors of an election campaign without undue dislocation of the economy. Most Lebanese Government officials are justifiably proud of the thriving and somewhat unique Lebanese economy, and barring unforeseen and unlikely difficulties stemming from the electoral campaign, the economy should continue to thrive in the future, despite the weak spots in the agricultural sector, the unprecedented and perhaps potentially dangerous construction boom and the unhealthy reliance of Lebanon on trade and services. The traditional shrewdness and self-reliance of the Lebanese business community are all-important factors which cannot be accurately weighed or measured, but which have served for many years to keep the Lebanese economy thriving.


Robert McClintock

Enclosure:

Lebanon - Economic Indicators.

Contributor:

Section I, Finance: CBCook

cc: Ambassadors AMMAN, ANKARA, BAGHDAD, CAIRO, JIDDA, LONDON, PARIS, TEL AVIV,
TRIPOLI; Amconsen ALEPPO, DAMASCUS, DHAHRAN; Amconsulates ADEN, KUWAIT

UNCLASSIFIED

0151

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

UNCLASSIFIED

Page 1
Enclosure 1
Despatch 645
From Beirut

LEBANON - ECONOMIC INDICATORS

Third and Fourth Quarters 1959, First Quarter 1960

<u>Indicator</u>	<u>Unit</u>	<u>3rd Quarter</u>	<u>4th Quarter</u>	<u>1st Quarter</u>
Customs receipts	Mill. L.L.	22.0	27.0	25.2
Currency issue	"	397.0	400.0	400.0
Demand Deposits (Average)	"	722.0	766.0	-
Time deposits "	"	67.0	72.0	-
Loans and discounts "	"	672.0	725.0	-
Bank clearings	"	531.0	572.0	568
New incorporations	Number	6	47	12
Cost of living index	1939=100	505	514	-
Wholesale price index	1950=100	104.6	104	-
Cement production	Metric tons	189,936	223,438	-
Building permits	Number	293	290	-
Beirut Port movement				
Freight unloaded	Metric tons	348,118	355,626	389,078
Freight loaded	Metric tons	79,130	92,119	86,390
Total transit trade movement*	Metric tons	90,741	97,429	50,280 (Feb.)
Aircraft passenger movement				
Arrivals	Number	79,244	50,808	-
Departures	"	77,351	61,777	-
New vehicle registration				
Passenger cars	"	1,376	1,211	2,236
Trucks	"	137	117	131
Buses	"	32	38	11

* As of end of month indicated in parentheses.

UNCLASSIFIED

0152

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

Air Pouch
PRIORITY

CONFIDENTIAL
(Security Classification)

DO NOT TYPE IN THIS SPACE

FOREIGN SERVICE DESPATCH

883A.00/5-1260

FROM : Amembassy BEIRUT

675

DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

May 12, 1960

DATE

REF : CERP Section C, Item 1; Embdesp 643, April 28, 1960

MAY 14 1960

9 For Dept. Use Only	ACTION REC'D 5-16-60	DEPT. IN F O REF-1 IRC-15 ICA-11 NEA-4 E-7 EUR-5 AF-5 OSD-2 USIA-10 ARMY-35 NAVY-20 AIR-30 CIA
----------------------------	----------------------------	---

SUBJECT: Biweekly Economic Review No. 16 - Lebanon - Period Ending May 12, 1960

Contents

- I. UNCLASSIFIED - Highlights
- II. CONFIDENTIAL - Foreign Trade and Economic Relations: Lebanon Welcomes Lifting of Cleopatra Picketing as Arab Victory over Zionism
- III. UNCLASSIFIED - Economic Development: (a) Law Authorizing Development Projects Promulgated by Decree (See BER 12); (b) DLF-ECAIF Loan Agreement Signing Welcomed in Lebanon
- IV. OFFICIAL USE ONLY - Government Policy: Minister's Decision Awaited in Statistical Machinery Bids Case (see BER 15)
- V. UNCLASSIFIED - Concessionary Companies: Parliament Approves "Lebanization" of Beirut Port Company (see BER 15)
- VI. UNCLASSIFIED - Foreign Economic Relations: Lebanese Trade Delegation Returns from Poland and Czechoslovakia
- VII. UNCLASSIFIED - Foreign Trade: (a) April Customs Receipts Reach New High; (b) Confusion Continues Concerning Arab Transit Agreement
- VIII. UNCLASSIFIED - Labor: (a) One-Day Strike at MASCO; (b) Beirut Port Dock Workers Union

I. UNCLASSIFIED - Highlights

The Cleopatra case and the resulting boycott of U.S. ships throughout the Arab world monopolized most of the Beirut press during the past fortnight, although the boycott headlines were almost equalled by those reporting the shooting down of the U.S. plane over Soviet Russia. These two international incidents overshadowed in most papers the dissolution of Parliament on May 4 and the intensification of the

RPSmith/bm

REPORTER

CONFIDENTIAL

ACTION COPY - DEPARTMENT OF STATE

The action office must return this permanent record copy to RM/R files with an endorsement of action taken.

THIS DOCUMENT
IS NOT
TO BE
REPRODUCED
OR
TRANSMITTED
IN ANY
FORM
OR
BY ANY
MEANS
ELECTRONIC
OR
MECHANICAL
INCLUDING
PHOTOCOPYING
RECORDING
OR
BY ANY
INFORMATION
STORAGE
RETRIEVAL
SYSTEM

883A.00/5-1260

BBVICH
CUBBEN RECORDS
JUN 10 1960

FILED
JUN 6 1960

CLASSIFIED FILE

0153

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

CONFIDENTIAL

Page 2
Despatch 675
From Beirut

coming electoral battle. Elections for the Lebanese unicameral Chamber of Deputies of 99 members will begin on June 12 and run through four successive Sundays. The pre-election maneuvering was marred on May 1 by a serious bombing incident in which a few persons were killed and scores were injured. The resignation of Prime Minister Karame's Cabinet in favor of a caretaker Cabinet is expected in the immediate future, and despite repeated and usually trivial bombings, hardly a novelty in Lebanon, the Government appears to be in firm control of the internal security situation.

II. CONFIDENTIAL - Foreign Trade and Economic Relations: Lebanon Welcomes Lifting of Cleopatra Picketing as Arab Victory over Zionism

In retaliation for the picketing of the Cleopatra in New York, Lebanon joined the other Arab states in a boycott of U.S. flag vessels beginning at midnight on April 29. Although the Government of Lebanon refused to take a public position on what it called a labor dispute, officials privately admitted considerable apprehension concerning the boycott to Embassy officers. On April 30, Foreign Minister Hussein OUEINI requested the Ambassador to assist in diverting the Beirut-bound Isthmian Lines "Santa Alicia" to another nearby port and informed him that the Lebanese Government was prepared to pay all additional costs of transshipping the cargo to Beirut on a non-U.S. ship. The ship was then diverted to Famagusta where the cargo was off-loaded.

On the same day, a student demonstration of some 1,000 persons marched from the American University of Beirut (AUB) to Government House chanting slogans and carrying anti-Zionist banners protesting the boycott of the Cleopatra (AUB students, however, were apparently in a minority). No other incidents occurred, and the demonstrators were refused permission by the Lebanese Government to demonstrate in front of the Embassy, where police guards had been posted in advance. The Lebanese Government also requested later that the American Export Lines "Excalibur" be diverted, and it was apparent that the Government was determined to insure that no unfortunate incidents involving U.S. ships would occur.

The Executive Council of the International Confederation of Arab Trade Unions met in Beirut on May 9 and agreed to lift the boycott of U.S. ships effective at midnight of the same day. The Isbrandtsen Lines' "Flying Fish" entered the port of Beirut early on May 10 and was off-loaded without difficulty or incident.

Comment: Government officials have been consistently reasonable and moderate throughout the boycott crisis, although local newspapers became more and more strident as time went on. The end of the picketing of the Cleopatra was marked in general by headlines proclaiming an Arab victory over Zionist influence in the United States. The immediate economic effect of the ship boycott on U.S. interests

CONFIDENTIAL

0154

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

CONFIDENTIAL

Page 3
Despatch 675
From Beirut

has been negligible, since only three U.S. ships are known to have been diverted and none carried extensive cargoes. However, a longer-range effect may later be felt, since the boycott forced many Lebanese merchants to inform their U.S. agents to ship their cargoes on foreign bottoms.

III. UNCLASSIFIED - Economic Development: (a) Law Authorizing Development Projects Promulgated by Decree (see BER 12)

Following the dissolution of Parliament on May 4, the law calling for the expenditure of the L.L. 51.4 million payment from the Iraq Petroleum Company (IPC) for public works projects was promulgated by presidential decree. Also promulgated by decree was a law calling for the organization of a permanent international fair in Tripoli. An appropriation of L.L. 5 for the Tripoli Fair was included in the measure allotting the revenues from the IPC payment.

OFFICIAL USE ONLY - Comment: Implementation of the development projects is likely to be delayed because of the preoccupation of Government officials with the national elections now scheduled to begin on June 12 and to be held on four consecutive Sundays. Similarly, although some officials have predicted that the Tripoli Fair would open during the summer of 1961, other Government officials admit privately that 1962 or even 1963 would be more realistic (see Embdesp 664, May 11, 1960).

(b) UNCLASSIFIED - DLF-BCAIF Loan Agreement Signing Welcomed in Lebanon

Beirut newspapers gave prominent treatment on May 5 and 6 to the news from Washington that the DLF Agreement to loan \$5 million to the Banque de Credit Agricole, Industriel et Foncier (BCAIF) was signed in Washington on May 4 by Sheikh Boutros El KHOURY, Chairman of the BCAIF Board of Directors and by Hart PERRY for DLF. The loan is intended to enable BCAIF to aid in the establishment of new industries in Lebanon. Proceeds of the loan are to be used only for long-term loans to industries, which have suffered for years from the lack of long-term credit.

IV. OFFICIAL USE ONLY - Government Policy: Minister's Decision Awaited in Statistical Machinery Bids Case (see BER 15)

Mr. Fuad BOUTROS, the Minister of Planning, has referred the IBM complaint in the Statistical Center adjudication case to the Legal Advisor (le Contentieux de l'Etat). The IBM complaint challenges the legality of the Statistical Center adjudication process, which ended in Remington Rand's being selected as the lowest bidder. The opinion of the Legal Advisor is expected momentarily.

CONFIDENTIAL

0155

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

CONFIDENTIAL

Page 4
Despatch 675
From Beirut

According to the IBM attorney, it will uphold IBM in its contention that the adjudication process was "irregular". Should this prove to be the case, the Minister of Planning will probably cancel the results of the process and order that it be resumed at a certain point, which may be at the beginning. In the meantime IBM, which feels that it stands a good chance of overcoming its black-list difficulties, is proceeding with its plans to set up a permanent regional office in Beirut.

Comment: In reply to a question from the current IBM representative in Beirut requesting information concerning the Embassy's position should the adjudication process recommence, he was told that the Embassy would renew its efforts to see the contract awarded to an American company. The same assurance has been given to the local representative of the Remington Rand Corporation.

V. UNCLASSIFIED - Concessionary Companies: Parliament Approves "Lebanization" of Beirut Port Company (see BER 15)

On April 28, in one of its last meetings, the Chamber of Deputies approved unanimously the agreement between the Beirut Port Company and the Government of Lebanon under which the company's concession was withdrawn and the previously French-owned firm was "Lebanized". The company will now become wholly Lebanese-owned and operated, although the present management will continue to operate the company until 1990.

Comment: The text of the agreement between the Government of Lebanon and the Port Company is being transmitted by separate despatch. The "Lebanization" of the Port Company continues the trend to withdraw concessions from foreign companies that was started with the purchase of the French-owned Damas-Hama et Prolongements Railway Company last year. Rumors continue to be heard concerning the possible nationalization of Radio Orient, also a French-owned firm, but knowledgeable Lebanese officials discount such rumors.

VI. UNCLASSIFIED - Foreign Economic Relations: Lebanese Trade Delegation Returns from Poland and Czechoslovakia

The Lebanese trade delegation which recently held conversations in Prague and Warsaw concerning possible revisions in the existing trade agreements between those countries and Lebanon returned to Beirut last week. Although accurate details are not yet available, Beirut newspapers quoted Mr. Antoine EDDE, Director of the Lebanese Fruit Board and a member of the trade delegation, to the effect that the conversations were successful and that Lebanon's trade with the two countries should be increased as a result. According to Edde, the Czechoslovak

CONFIDENTIAL

0156

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

CONFIDENTIAL
This information is being furnished to you for your information only. It is not to be distributed outside your agency without the express approval of the source of origin. It is to be destroyed when it is no longer needed for your information.

CONFIDENTIAL

Page 5
Despatch 675
From Beirut

authorities agreed to increase the importation of Lebanese fruit to the new total of 7,000 tons annually despite some complaints as to the high prices of Lebanese fruit. In Warsaw, again according to Edde, the Lebanese delegation won the agreement of the Poles for the importation of 4,000 tons of Lebanese fruit annually into Poland, and an increase of the trade exchange quota to \$1.5 million.

OFFICIAL USE ONLY - Comment: The Lebanese Government is continuing to push hard in its attempts to step up its fruit exports to the Soviet Bloc nations, which have in the past few years ranked among Lebanon's major customers for such fruit. Western European countries find it much more difficult to purchase Lebanese fruit because of high prices and poor grading and packing standards.

VII. UNCLASSIFIED - Foreign Trade: (a) April Customs Receipts Reach New High

Although Beirut port activity dropped again from the March total of 144,958 metric tons to 128,752 metric tons in April, customs receipts for the same month climbed to an all-time record of L.L. 10,350,000. The latter figure compares with L.L. 9,420,000 for the previous month and L.L. 7,408,000 for April of 1959.

Comment: The continuing rise in customs receipts reflects the steadily increasing standard of living in Lebanon and a high level of business activity and commercial confidence.

(b) Confusion Continues Concerning Arab Transit Agreement

The Lebanese Ambassador to the UAR, Joseph ABOUKHATER, who recently returned to Beirut for consultations, informed reporters last week that he had received information from Cairo to the effect that the UAR authorities had ratified the quadripartite transit agreement initialed last December by the UAR, Lebanon, Jordan and Saudi Arabia. Other press reports appearing the same day, however, indicated that the UAR had not in fact ratified the agreement and that it therefore remained a dead letter.

LIMITED OFFICIAL USE - Comment: Despite the Lebanese Ambassador's assertion, neither the Foreign Ministry nor the High Council of Customs has received official word of UAR ratification. Meanwhile, Beirut commercial circles are increasing their demands for an explanation of the apparent reluctance of the UAR to ratify the agreement. Foreign Ministry officials admit to Embassy officers, however, that they are equally confused and profess complete ignorance of the UAR position. (See note on page 8.)

CONFIDENTIAL

0157

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

CONFIDENTIAL

Page 6
Despatch 675
From Beirut

VIII. UNCLASSIFIED - Labor: (a) One-Day Strike at MASCO

The workers at the big Middle East Aircraft Service Company (MASCO) walked off their jobs on April 4 but returned the next day, after a temporary settlement of their grievances had been effected. Boasting up-to-date aircraft repair facilities, MASCO employs over 1,000 workers, 300 of whom have joined the Airline Service Employees Union, an affiliate of the United Unions of Employees and Workers (UUEW). Work resumed the next day after the General Manager had promised a union delegation that: (a) the company would recognize and deal with the union, and (b) it would cease interfering with the workers who sought to join the union.

This left the important issue of the reinstatement of three employees who the union charges were dismissed for union activity. The General Manager stated that he was unable to deal with this issue and would have to await the return of Jamil MIKKAWI, MASCO Board Chairman.

OFFICIAL USE ONLY - Comment: MASCO's labor relations have been stormy for some time due to the company's attempt to sponsor a "works council" in lieu of what management terms an outside union. The Jami'at's Travel and Transport Employees Union attempted to organize these workers, but was subsequently denied the right on the ground that it lacked jurisdiction. The same argument with respect to jurisdiction was put forth when the UUEW's Airline Employees Union moved into the picture, but this argument was speedily swept aside. UUEW President Gabriel KHOURY says that the airline employees have the full support of the federation and that the struggle will continue until the reinstatement of the three dismissed workers.

An official of the Ministry of Labor and Social Affairs told an Embassy officer that Mr. Mikkawi had turned down an offer to have a neutral committee investigate the discharge of the three employees and that he believed more labor trouble was brewing unless Mikkawi adopted a less rigid attitude.

UNCLASSIFIED - (b) Beirut Port Dock Workers Union

Before the decision to end the boycott of American ships had been announced, another labor dispute erupted at the Port of Beirut. This concerns the Beirut Port Dock Workers Union, licensed last year, and including the casual workers who handle cargo once it reaches the docks. Two previous strikes, led by officers of the Arab nationalist An-Najjada party, resulted in some benefits for the workers, but now under Jami'at Federation leadership all are asking for full status as employees of the Port Company. This would entitle them to the provisions of the

CONFIDENTIAL

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

CONFIDENTIAL

Page 7
Despatch 675
From Beirut

labor code for annual leave, sick leave, family allowances, etc. Another demand, according to Ali HOUMANI, Dockers' President, is for the establishment of a medical insurance plan by the company. If these demands are not met by May 14, the union threatens to call all of its members out on strike.

OFFICIAL USE ONLY - Comment: The prevailing view is that Houmani, acting on orders from Jami'at President Hussein Ali HUSSEIN, is attempting to capitalize on the general unrest existing in the country just before general elections. The submission of these demands at this time also may be calculated to enhance Hussein's prestige among the dockers, a majority of whom, like him, are Shiite Moslems. As far as can be determined, no leadership on the part of the An-Najjada party officials is apparent at this stage of the dispute, although if trouble comes, Hussein is expected to appeal for assistance to Mohammad ALI RUZZ of the so-called new Najjada party.

IX. UNCLASSIFIED - Finance: (a) Dollar Softens Slightly after Substantial Rise;

Activity in the foreign exchange market was brisk during the past two weeks as merchants' requirements for foreign exchange continued at a high level with the onset of one of the busy commercial seasons.

Trends in the commercial dollar and the Syrian pound during the past fortnight were particularly noteworthy. The dollar, which has been in a slow but continuous climb since early last November, passed L.L. 3.19 on April 26 and on April 30 reached L.L. 3.1925. During the past few days, however, it softened somewhat, reportedly because of a new influx of dollars from the Arab hinterland, and by May 10 had dropped back to L.L. 3.1825. Following the announcement by the Syrian authorities on April 23 of a new economic austerity program, the Syrian pound, which had been dropping very gradually since last November, reacted sharply, falling from L.L. .859 on April 23 to L.L. .851 on May 7. On the other hand, the recent events in Turkey had only a moderate effect on quotations of the Turkish commercial pound. While this currency dropped from L.L. .228 on April 29 to L.L. .220 on May 5, by May 10 it had recovered to L.L. .2225.

Under the heading of curiosa, the Egyptian 100-pound note, which was withdrawn from circulation over a year ago, reappeared briefly on the local market during late April, and was actually being quoted at around L.L. 2. One report had it that the bills were being bought up by Syrian merchants, who, at the time of the recall, had made declarations stating that they were in legal possession of huge amounts of the 50- and 100-pound notes.

CONFIDENTIAL

0159

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

Page 8
Despatch 675
From Beirut

As of May 1, the currency issue remained unchanged at L.L. 400 million, unchanged for the sixth consecutive month. There has also been no change (since early December) in the amounts of the elements within the currency cover.

* * * * *

* * * * *

Robert C. Creel
Charge d'Affaires ad interim

LCTihany
HDSnell
CBCook

CONFIDENTIAL

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

Air Pouch
PRIORITY

CONFIDENTIAL
(Security Classification)

DO NOT TYPE IN THIS SPACE

FOREIGN SERVICE DESPATCH

883a.00/5-2660

FROM : Amembassy BEIRUT

713
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

May 26, 1960
DATE

REF : CERP Section C, Item 1; Embdesp 675, May 12, 1960

MAY 28 1960

9 For Dept. Use Only	ACTION	DEPT.
	REC'D	IN F O
	5-31-60	Ref-1 IRC-15 NEA-4 ICA-11 E-7 S/AE-7 OSD-2 USIA-10 ARMY-35 NAVY-20 AIR-30 CIA-16

SUBJECT: Biweekly Economic Review No. 17 - Lebanon - Period Ending May 26, 1960

Contents

- I. UNCLASSIFIED - Highlights
- II. UNCLASSIFIED - Economic Development: Litani Scandal Charged
- III. OFFICIAL USE ONLY - Government Policy: More Severe Boycott Policies in Offing?
- IV. UNCLASSIFIED - Tourism: Lebanon-UAR Tourist Accord; Director of Tourism Holds Press Conference
- V. UNCLASSIFIED - Atomic Energy: Soviet Atomic Exhibit Opens in Beirut
- VI. UNCLASSIFIED - Finance: Currency Issue Again Increased by L.L. 3 Million
- VII. UNCLASSIFIED - Foreign Aid: (a) First Shipment of PL 480 Wheat Arrives in Beirut; (b) Eximbank Loan to Phoenicia Hotel
- VIII. UNCLASSIFIED - Agriculture: Fruit Export Figures Announced
- IX. UNCLASSIFIED - Petroleum: IPC Project Completed
- X. UNCLASSIFIED - Labor: Strike Situation Worsens

I. UNCLASSIFIED - Highlights

The biggest news development of the past fortnight was the resignation of the Cabinet of Prime Minister Rashid KARAME on May 14 and the appointment of a caretaker eight-man Cabinet headed by Ahmed DAOUK, a wealthy Moslem businessman and long-time Lebanese Ambassador in France. Considerable press attention was also devoted to the failure of the Summit Conference in Paris and subsequent international developments. Pre-election political maneuvering is continuing, and President CHEHAB, in an address

RPSmith/bm

REPORTER

CONFIDENTIAL

ACTION COPY - DEPARTMENT OF STATE

The action office must return this permanent record copy to RM/R files with an endorsement of action taken.

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

CONFIDENTIAL

Page 2
Desp. 713
From Beirut

to the Lebanese people on May 23, made a strong defense of the Parliamentary system and urged Lebanese voters to exercise their responsibilities wisely in choosing their representatives in the coming election. The local economic scene remained relatively quiet and was marked by the opening of a Soviet "Atom for Peace" exhibit, by charges of scandal in the Litani River Authority and by some favorable developments in the tourism field, including a new tourist accord with the United Arab Republic.

II. UNCLASSIFIED - Economic Development: Litani Scandal Charged

On May 21, a Beirut Arabic language newspaper charged officials of the Litani River Authority with "glaring irregularities" which have resulted in a long and costly delay in the completion of the project (see Embassy Despatch 605, April 12, 1960). The paper alleged that a committee appointed by the Lebanese Government to investigate the Litani project had given its report to President Chehab "several months ago" and implied that the charges made in this report may have accounted for the recent resignation of the President of the Litani River Authority, Mr. Salim LAHOUD.

The paper charges specifically that the French consulting group conspired to insure the awarding of the tunneling bid to the Italian firm Astaldi and that the decision to build the key Karaoun Dam on its present site will result in the eventual collapse of the dam. The paper also charges that the French consulting group forged certain portions of the original survey made by the U.S. Bureau of Reclamation in order to permit the contract to go to the Italian firm. In a press conference on the same day, Mr. Lahoud vehemently denied the allegations and defied the newspaper to prove its charges.

CONFIDENTIAL - Comment: Mr. Lahoud, a former Deputy from Metn and again a candidate in the coming election, had to resign in any case from his Litani position because of the new prohibition against civil servants running for public office. Rumors of difficulties on the Litani project have long been rampant in Beirut, however, and some Lebanese believe that the coming election was a convenient excuse for Lahoud to bow out of the Litani project gracefully.

In any case, since the original survey by U.S. engineers was in fact drastically revised by Litani officials, there is at least some truth in the newspaper charges. Since criticism of the Litani project is now in the open, a full-scale investigation and possible further shake-up in the top echelon appears likely.

OFFICIAL USE ONLY

III. Government Policy: More Severe Boycott Policies in Offing?

Beirut agents of numerous foreign steamship companies, including American Export Lines, have recently received letters from the Ministry of National Economy's Israel Boycott Office requesting information concerning "services calling at Israeli ports"

CONFIDENTIAL

0162

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

CONFIDENTIAL

Page 3
Desp. 713
From Beirut

and "extent of relations between the company and Israel". In the course of conversations on May 25, Minister of National Economy TAKLA (who is personally concerned with boycott affairs) took a reassuring line with a senior shipping official representing a British company and colloquially remarked: "Je m'en occuperai" ("I'll take care of it"). American Export Lines agents, after consultation with the Embassy, are informing their U.S. principals today.

CONFIDENTIAL - Comment: The Embassy cannot exclude the possibility that, in spite of Minister Takla's reassuring attitude and his unquestioned good faith in working for good relations between Lebanon and the West, the Damascus Boycott Office may be planning to increase the severity of its existing policies and that Mr. Takla may be powerless to counter them if and when the occasion arises. UAR authorities may have for their objective the creation of a new issue to embarrass the Department in view of its post-Cleopatra pledge to renew its efforts to clarify the whole boycott complex. The Embassy is closely following the matter and will keep the Department advised.

IV. UNCLASSIFIED - Tourism: Lebanon-UAR Tourist Accord; Director of Tourism Holds Press Conference

To publicize the beginning of the 1960 tourist season in Lebanon, Director of Tourism Michel TOUMA held a press conference on May 21 in which he announced that Lebanon's income from tourism last year approximated L.L. 110 million. In a prepared statement, Mr. Tuma also stated that there are 644 hotels in Lebanon, comprising 10,545 rooms with 20,484 beds. He estimated that some 75,000 persons benefit directly or indirectly from the hotel business in Lebanon.

Mr. Tuma also noted that conversations were now under way between Lebanese and United Arab Republic authorities to permit some 17,000 Iraqi tourists to transit Syria en route to Lebanon this summer. A few days before Mr. Tuma's press conference, the Iraqi Embassy in Beirut announced that the Government of Iraq had decided to authorize Iraqis to visit Lebanon this summer without restriction. Each Iraqi "estivant" will be authorized to bring with him 325 dinars.

Mr. Tuma indicated that some 200,000 tourists had visited Lebanon in 1959 and that he hoped for 350,000 in 1960 (all those persons spending more than 24 hours in Lebanon who are non-resident foreigners are considered "tourists").

According to press reports, a new tourist agreement between the United Arab Republic and Lebanon was signed in Cairo on May 24. It permits unlimited numbers of Egyptians to summer in Lebanon and allows individual Egyptians to bring as many as 120 Egyptian pounds with them. A more favorable exchange rate (L.Eg. 1.00= L.L. 7.75) for these tourists was also provided for in the accord.

CONFIDENTIAL

0163

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

CONFIDENTIAL

Page 4
Desp. 713
From Beirut

LIMITED OFFICIAL USE - Comment: Mr. Touma's well-known tendency to exaggerate has led most knowledgeable Lebanese to discount his claim of L.L. 110 million accruing to Lebanon through tourism in 1959. However, the amount was undoubtedly substantial, and the tourism industry in Lebanon is unquestionably one of the nation's most important income earners.

Preparations for the much-heralded Congres des Emigres on September 15 are continuing, and Lebanese missions abroad have been instructed to publicize the convention in every way possible.

V. UNCLASSIFIED - Atomic Energy: Soviet Atomic Exhibit Opens in Beirut

Almost unheralded in the local press, a Soviet exhibit entitled "The Atom for Peace" opened in Beirut on May 23 for a two-week stand. Although the general public was invited to attend the official opening ceremonies, only a modest audience estimated at not more than 200 showed up, including specially invited members of the Lebanese Government and the Diplomatic Corps. It is understood that most of the exhibit comes directly from the Soviet pavilion at the recent Baghdad Fair. The most popular item in the show is a pair of mechanical hands performing various simple operations. With a backdrop of eight-foot high display panels featuring blown-up photographs and schematic drawings, the exhibit includes two rather impressive models of atomic power stations and smaller models of the atomic icebreaker Lenin, several thermonuclear reactors, a cyclotron, a synchrophasotron, and examples of petroleum logging devices. The exhibit also includes continuous showings of color films featured as "documentary films on the atom".

CONFIDENTIAL - Comment: The show was given practically no publicity by the Soviets prior to its opening, and although the Council of Ministers, upon application, gave permission for the holding of the exhibit, the members of the Lebanese Atomic Energy Committee were, somewhat to their chagrin, advised only a few days before the exhibit opened. While the mechanical hands drew a fascinated crowd on opening night, the other items in the exhibit appeared relatively unimpressive, particularly the films, which turned out, in fact, to be barely audible travelogues on the countries in which the exhibit had previously been shown, with occasional shots of audience reaction to the exhibit, and an unrelated sequence in black and white purporting to show scenes in Nagasaki after the dropping of the Bomb.

A Lebanese scientist friendly to the West expressed disappointment in the level of technical advancement of much of the equipment. The scientist stated that much of the equipment appeared identical with the items exhibited by the Soviets at Geneva in 1958, and that while the small models of several types of thermonuclear reactors, with accompanying descriptions of various research being performed, were quite interesting, the exhibit contained nothing of a scientific nature which had not been generally published some time ago.

CONFIDENTIAL

0 1 6 4
DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

CONFIDENTIAL

Page 5
Desp. 713
From Beirut

VI. UNCLASSIFIED - Finance: Currency Issue Again Increased by L.L. 3 Million

Marking the first change since October, 1959, the currency issue was again increased by L.L. 3 million during the first two weeks of May to a new total of L.L. 403 million. The new issue was covered by an increase in the currency cover element, "Government guaranteed loans to third parties", and resulted in a slight decrease in the percentage of gold backing, which now stands at 84.9 percent.

OFFICIAL USE ONLY - Comment: A high official of the Banque de Syrie et du Liban has informed the Embassy that the additional notes were released due to an increased demand for more currency in order to meet a continuing revival in general business conditions and increased Government spending in public works projects.

VII. UNCLASSIFIED - Foreign Aid: (a) First Shipment of PL 480 Wheat Arrives in Beirut

Three thousand tons of wheat arrived in Beirut on May 19 in the first of a series of shipments that will total 20,000 tons of PL 480, Title II wheat and feed grains. The grain, designed to alleviate a severe shortage caused by drought and insect damage, will either be sold by the Government at market prices or distributed among needy rural residents. Charge d'Affaires a.i. Robert C. Creel and USOM/L Director Harold S. Nelson were on hand for the unloading, and Minister of Agriculture Fuad NAJJAR expressed the Lebanese Government's appreciation for the gift wheat in a brief shipboard ceremony.

(b) Eximbank Loan to Phoenicia Hotel

Beirut newspapers last week gave prominent treatment to the news that the Eximbank had granted a \$3,175,000 loan to the Societe des Grands Hotels du Liban for the completion of construction on the new Phoenicia Hotel in Beirut. The 320-room, eleven floor hotel will be operated by the Intercontinental Hotels Corporation, a wholly owned subsidiary of Pan American World Airways.

OFFICIAL USE ONLY - Comment: While the Phoenicia will be a welcome addition and a boon to the tourist industry, Lebanon still needs many more hotels which are not in the "luxury" class for the less well-heeled clientele.

VIII. UNCLASSIFIED - Agriculture: Fruit Export Figures Announced

The Lebanese Fruit Office has announced that during the month of April, 4,210 tons of apples and 10,458 tons of citrus fruit were exported. These exports bring the season's total to 55,582 tons of apples and 81,494 tons of citrus fruit.

CONFIDENTIAL

0 1 6 5
DECLASSIFIED
Authority NND 949569
By [] NARA Date 7/23/04

CONFIDENTIAL

Page 6
Desp. 713
From Beirut

Although the export of fruit usually ends in April, Minister of Agriculture Fuad NAJJAR announced this week that a shipment of 350 tons of citrus fruit to Rumania on May 11 utilized an experimental wax covering which, if successful, will permit the exportation of fruit to continue later into the spring and summer. The lack of refrigerated shipping space has in the past prevented such exports during the hot weather.

Comment: The Fruit Office has also estimated the value of this season's apple crop at some L.L. 13 million. Lebanese officials expect further increases in the coming years, since the number of apple trees continues to grow yearly. They estimate that there are now some 3,000,000 bearing apple trees in the country.

IX. UNCLASSIFIED - Petroleum: IPC Project Completed

The Iraq Petroleum Company has announced completion of a pipeline project which will increase the crude oil output capacity at Tripoli, Lebanon, from 7,500,000 to 10,500,000 long tons per annum (150,000 b/d to 210,000 b/d).

Comment: The project, a "loop" of 30-inch pipe extending from a few miles inside the Syrian border to the coast, is the last to be completed of a series of loops along the line from Kirkuk, Iraq, which, combined with additional pumping capacity, provides the extra throughput. The new line is now in operation.

X. UNCLASSIFIED - Labor: Strike Situation Worsens

Several strikes and strike threats have troubled the uneasy calm of Lebanon's labor relations over the past two weeks. This labor unrest, coming just before the country's general elections, has caused a good deal of concern in Government and business circles.

Beirut Airport Restaurant Strike: This walkout is the only one now in effect, the strikers being members of the Communist-dominated Hotel, Restaurant and Coffee House Workers Union. Beginning on May 23, the strike was called because of the restaurant concessionaire's insistence that the staff work a 12-hour day with only 12 hours rest. While accepting the principle of a 12-hour work day, the union insists on a 24 hour rest period. Picket lines have been established at the entrances to the shut-down restaurant.

Masco Strike: Some 500 out of a staff of 900 employees of the Mideast Aircraft Service Company's (MASCO) walked off the job for one day on May 5 and resumed their strike on May 18. A back-to-work notice from Masco management resulted in all but 120 of the strikers returning to the job the next day. The issue was alleged company interference with the employees' right to join the Airline Companies Union, which is affiliated with the United Unions of Employees and Workers (UUEW). The Airline Companies Union in turn threatened to call out on a sympathy strike its other members

CONFIDENTIAL

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

CONFIDENTIAL

Page 7
Desp. 713
From Beirut

who are employed by the air carriers serving Beirut, while pressing the UUEW to ask the unions representing the workers who refuel planes to walk out in sympathy. Agreement was finally reached on May 25 providing for the reinstatement of the 120 holdouts, and a UUEW-supervised election of officers for a union to consist solely of Masco employees.

Regie (Tobacco) Employees and Workers Strike: The 1,600 members of the UUEW-affiliated Regie Employees and Workers Union walked off the job on May 16 and returned to work three days later after having reached agreement with the Government for the payment of one month's wages to compensate for the increased cost of transportation to and from work. The Regie operation recently moved into a new plant situated in one of the suburbs of Beirut and is not served by the low cost "service" taxi lines. Cost of this settlement, a one shot affair, is estimated at L.L. 600,000.

Additional strikes have been threatened by the D.H.P. Railway workers, the Esso workers, and the longshoremen's union.

OFFICIAL USE ONLY - Comment: By far the most serious of these disputes was the just-ended Masco strike, which involved the fundamental question of the workers' right to choose their own union. Masco management had attempted to set up a company-dominated union in the face of a determined attempt by the Airline Companies Employees Union to organize its staff. This set off a chain reaction which threatened to culminate in a virtual shutdown of operations at Beirut International Airport. Masco, already hard pressed financially, hopefully has settled down to a period of labor peace.

The airport restaurant strike, which also affects the food suppliers for the aircraft, might well provide some indication as to the course the struggle between the Communist-dominated striking union and its democratic rival will take. Most observers deplore the fact that a ministerial decree has given the Communists such a legitimate issue as the 12-hour work day.

Despite widespread criticism that it was brandishing the strike threat as a means of exacting political concessions, the UUEW held a press conference on May 17 to deny this charge and to reaffirm its determination to continue to fight to "raise the standards of the workers".

Robert C. Creel

Robert C. Creel
Charge d'Affaires, a.i.

Contributors:

LCTihany, CBCook, CJDwyer, HDSnell

Copies to: Amembassies Amman, Ankara, Baghdad, Cairo, Jidda, London, Paris, Tel Aviv, Tripoli; Amconsen Aleppo, Damascus, Dhahran; Amcons Aden, Kuwait.

CONFIDENTIAL

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

Air Pouch

CONFIDENTIAL

DO NOT TYPE IN THIS SPACE

(Security Classification)

FOREIGN SERVICE DESPATCH

FROM : AmEmbassy BEIRUT

740
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

June 10, 1960

DATE

REF : CERP Section C, Item 1; Embdesp. 713, May 26, 1960

JUN 14 1960

35 For Dept. Use Only	ACTION REC'D 7EA-4 6-16	DEPT. I N F OTHER CIA-16 Com-12 USIA-10 OSD-2 ARMY-25
-----------------------------	----------------------------------	--

SUBJECT: Biweekly Economic Review No. 18 - Lebanon - Period Ending June 9, 1960

Contents

- I. UNCLASSIFIED - Highlights
- II. CONFIDENTIAL - Economic Development: Litani Investigation Nearing Climax (See BER-17)
- III. CONFIDENTIAL - Government Policy: Legal Advisor's Opinion Supports IBM Claim; New Bid Invitations Likely
- IV. UNCLASSIFIED - Domestic Business: Beirut Industrial and Commercial Exposition ONLY
- V. OFFICIAL USE ONLY - Foreign Trade: Customs Receipts in May Remain High
- VI. UNCLASSIFIED - Agriculture: Heat Wave Damages New Apple Crop
- VII. OFFICIAL USE ONLY - Labor: Airport Restaurant Strike Continues; Esso Threatens Walkout

I. UNCLASSIFIED - Highlights

With elections beginning on June 12, press attention has been centered almost exclusively on electoral maneuvering and developments. The economic scene has remained generally quiet, except for the revelation of alleged scandals in the administration of the Litani River Authority project. Customs receipts in May were again substantial, and business conditions remain good.

II. UNCLASSIFIED - Economic Development: Litani Investigation Nearing Climax (see BER-17)

A team of government experts headed by the new Minister of Public Works, Georges NACCACHE, is continuing its perusal of the 400-page investigation of alleged scandals in the Litani River Authority project (LRA). A prominent Lebanese engineer, Mr. Henri NACCACHE, also a member of the Board of Directors of the Litani, has been appointed to replace Salim LAHOUD as LRA president and is also participating in the investigation. Mr. Lahoud continues to claim that the investigation is politically

RPSmith:fm1
REPORTER

CONFIDENTIAL

ACTION COPY - DEPARTMENT OF STATE

The action office must return this permanent record copy to RM/R files with an endorsement of action taken.

This document must be returned to the RM/R central files

883A.06/6-1060

HBS

CLASSIFIED FILE

DECLASSIFIED

Authority NND 949569

By PT NARA Date 7/23/04

CONFIDENTIAL

Page 2
Despatch 740
From BEIRUT

motivated in an attempt to prevent his reelection to Parliament and has formally complained to Prime Minister DAOUK that government authorities are interfering on behalf of his cousin and opponent, General Jamil LAHOUD. It now appears likely that no action will be taken on the Litani investigation until after the June 12 election. Further shake-ups and dismissals in the top echelon of the Litani project shortly thereafter remain likely, however.

CONFIDENTIAL - Comment: Whether Salim Lahoud wins or loses the election on June 12, he and his LRA associates are certain to face an exhaustive inquiry, and Lahoud in particular may find himself in serious trouble. One high-ranking member of the government team studying the results of the Litani investigation confided to an Embassy officer on June 6 that on the basis of what he had read in the report so far, he personally was convinced that Lahoud "should be behind bars". Further shake-ups and dismissals are almost certain.

The World Bank has been dissatisfied for some time with the management of the Litani River Authority, long plagued with problems of divided responsibility and inadequate executive supervision. Despite this fact, Lahoud tried and failed to obtain World Bank support in retaining his Litani office or at least in persuading the government not to appoint a successor following his resignation to stand for Parliament. The Litani Board of Directors has been split for some months, and Mr. Lahoud would undoubtedly have been forced out regardless of the election. Meanwhile, work on the Litani project has come almost to a complete stop, and unless the new LRA management takes strong measures in the near future to get the project back on the tracks, the World Bank will undoubtedly take another hard look at its \$27,000,000 loan to the Litani Authority. Should the World Bank pull out of the project, the repercussions here would be instantaneous and severe, with anti-U.S. overtones very likely.

III. UNCLASSIFIED - Government Policy: Legal Advisor's Opinion Supports IBM Claim;
New Bid Invitations Likely

The Lebanese Government's Legal Advisor has advised Mr. Edmond KASPAR, the new Minister of Planning, that the adjudication procedure which resulted in awarding the Statistical Center contract to Remington Rand (see BER-16) was irregular as charged by IBM, and that it may serve as a basis of legal action against the Government, which would probably lose the case if it were sued. The Government has taken no action so far.

CONFIDENTIAL - Comment: In a conversation with an Embassy officer on June 6 and also with the French Commercial Attache a few days earlier, Kaspar stated that he would take no action on any adjudication case while temporarily in office for the duration of the elections. (In private life Kaspar is the Remington Rand attorney in Beirut, and because of this well-known connection he is overly cautious not to lay himself open to charges of favoritism while holding a ministerial portfolio.)

The Remington Rand representatives believe that a new adjudication procedure would be certain to result in the award going neither to RemRand nor to IBM but to Bull (a French company). They claim that the only way of avoiding this eventuality.

CONFIDENTIAL

0169

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

CONFIDENTIAL

Page 3
Despatch 740
From BEIRUT

is to obtain the award as a direct contract and that, according to unofficial advice they have obtained from the Legal Advisor, the Government has the right to award such a direct contract if it cancels the adjudication procedure due to irregularities. They have nevertheless been told by the Minister of Planning that he will not under any circumstances make a recommendation to the Cabinet for a direct award of the contract to their company and that consequently a new adjudication procedure will take place. It is not expected that the Government will issue invitations for bids until after the elections are over on July 3.

IV. UNCLASSIFIED - Domestic Business: Beirut Industrial and Commercial Exposition

The privately managed Beirut Industrial and Commercial Exposition opened on May 27, with about 10% of the total space occupied by displays of U.S. goods. Of the 112 displays, 16 are Lebanese and 18 are stands exhibiting American products, including the following: Oldsmobile-Buick, Worthington Air Conditioners, Coca Cola, Kent cigarettes, Westinghouse, Zenith, Proto Tools, Electrolux, Lever Brothers, Scott Tissues, RCA, General Electric, Frigidaire, National Cash Register, Remington Rand, Philco and Youngstown Kitchens. The Exposition is well attended.

Comment: The Embassy has closely cooperated with the management of the Exposition in arranging for participation by distributors and representatives of U.S. products. On the opening day, special colored posters bearing the inscription "American Quality" in English and Arabic were issued to all stands exhibiting U.S. goods. The Exposition will close on June 19, and on June 18 the Commercial Attache of the Embassy will give a reception for all exhibitors of American goods. The Embassy will report full details after the close of the Exposition.

V. UNCLASSIFIED - Foreign Trade: Customs Receipts in May Remain High

Customs receipts in May dropped slightly from the all-time April record of LL. 10,350,000, but the May total of LL. 9,694,000 is nevertheless the second highest in history. This amount compares with the May 1959 total of LL. 7,600,000.

OFFICIAL USE ONLY - Comment: Since many of the items reflected in the customs figures are luxury goods, not all of which are consumed in Lebanon, the increasingly high level of customs receipts in Beirut indicates a continuing high rate of smuggling into surrounding Arab states, especially Syria.

VI. UNCLASSIFIED - Agriculture: Heat Wave Damages New Apple Crop

Ministry of Agriculture officials have announced that an unusually early and severe heat wave during the first week of May has severely damaged the new apple crop now blossoming on the trees. Estimates as to the amount of damage vary widely and range between 10 and 40 percent of the potential crop. Similarly, the same heat wave intensified the drought conditions in the northern Beka'a Valley, and a delegation of farmers from that region called on Prime Minister Ahmed DAOUK on May 30 and pleaded with him for immediate and tangible government assistance. Many villages in the Beka'a Valley are now without water, and the harvest of wheat and barley will be almost non-existent in some hard-hit areas. The Government has decided to assist in the drought-stricken areas and has announced that free wheat seed and grain (from the recent 20,000 ton PL 480 grant) will be distributed immediately in the affected areas.

CONFIDENTIAL

0170

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

CONFIDENTIAL

Page 4
Despatch 740
From BEIRUT

Comment:- UNCLASSIFIED - Despite the apparently serious damage done by the heat wave to the apple crop, it appears certain that the next crop will be larger than last year's, due largely to the fact that large numbers of new trees have begun bearing in the interim.

VII. UNCLASSIFIED - Labor: Airport Restaurant Strike Continues; Esso Threatens Walkout

The walk-out of the Beirut Airport Restaurant Workers on May 23 is continuing, and the issues have now been somewhat complicated by the withdrawal of the concessionary company from the airport restaurant. Minister of Public Works Georges NACCACHE has indicated the possibility that the government may step in and run the airport restaurant until a new concessionary company can be found which will accept the union's demands for a 24-hour rest period after a 12 hour working day. Various other proposals are also under consideration, but the problem appears far from resolved.

A potentially more serious situation is the threatened strike of the Esso Employees and Workers Union, which is calling for job reclassification, a wage scale for all employees, a wage increase averaging 3 percent annually and several other items. The company has thus far refused to grant any of the union demands, and on June 6, the General Assembly of the union gave the Executive Board full authority to call a strike if its demands are not met.

OFFICIAL USE ONLY - Comment: Ministry of Labor mediation has been ineffectual. Unless at least some token offers are made by the management of the Esso company, a strike is likely. Management has so far remained adamant, however, and such a strike against a prominent U.S.-owned company could develop into a serious one.

Robert C. Creel

Robert C. Creel
Charge d'Affaires ad interim

Contributors: LCTihany

CONFIDENTIAL

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

Air Pouch

PRIORITY

CONFIDENTIAL

(Security Classification)

DO NOT TYPE IN THIS SPACE

FOREIGN SERVICE DESPATCH

FROM : Amembassy BEIRUT

TO : THE DEPARTMENT OF STATE, WASHINGTON.

REF : CERP Section C, Item 1; Embdesp 740, June 10, 1960

761
DESP. NO.

June 23, 1960

JUN 23 1960

15 For Dept. Use Only	ACTION	DEPT.
	REC'D	OTHER
6/28	NEA-4	E-7 AF-5 SC-1 PER-2 L-2 DE-2 RM/R-2 REP-1*RC-15*CA-11 U/MSC-1 NEA-4 EDR-5 OCB-2*TR-3 FRB-2 XMB-4*COM-12*TR-2 USIA-10 OSD-2 ARMY-35 NAVY-20 AIR-39 CIA-16

SUBJECT: Biweekly Economic Review No. 19 - Lebanon - Period Ending June 23, 1960

AG-10 IN-7*LAB-6 FAA-5

Contents

- I. UNCLASSIFIED - Highlights
- II. UNCLASSIFIED - Tourism: President Urges Support of Congres des Emigres
- III. UNCLASSIFIED - Agriculture: Beka'a Valley Hard Hit by Drought
- IV. UNCLASSIFIED - Economic Development: Litani Inquiry Continuing (see BER 18)
- V. UNCLASSIFIED - Domestic Business: Beirut Industrial and Commercial Exposition Utilized for Showing U.S. Goods
- VI. UNCLASSIFIED - Foreign Trade: Export Promotion Team Visits Lebanon
- VII. UNCLASSIFIED - Foreign Trade: Port Traffic Increases in May
- VIII. UNCLASSIFIED - Finance: (a) Currency Issue Increased for Second Consecutive Month; (b) Dollar Softens as a Result of Heavy Offerings
- IX. UNCLASSIFIED - Industry-Labor: More Textile Workers Discharged (see BER 15)
- X. UNCLASSIFIED - Foreign Economic Relations: Possible Hungarian Trade Delegation to Lebanon
- XI. UNCLASSIFIED - Labor: Airport Restaurant Workers Strike Settled (see BER 18)
- XII. CONFIDENTIAL - Civil Aviation: MEA and MASCO Agree to Merge
- I. UNCLASSIFIED - Highlights

The second round of the Lebanese elections took place on June 19 in an atmosphere of almost unprecedented calm. No major incidents marred election day, and although many newspapers bemoan the election of Christian and Moslem "extremists" the absence

RPSmith/bm
REPORTER

CONFIDENTIAL

ACTION COPY - DEPARTMENT OF STATE

The action office must return this permanent record copy to RM/R files with an endorsement of action taken.

This document must be returned to the RM/R Central Files

355A.00/6-2360

CIA

CLASSIFIED E1A

JUN 23 1960

0172

DECLASSIFIED

Authority NND 949569

By PT NARA Date 7/23/04

CONFIDENTIAL

Page 2
Desp. 761
From Beirut

of violence so far augurs well for the future. The Litani investigation is continuing, but like everything else, it appears to be taking a back seat to the elections. Indicative of the possible costs of an election in Lebanon is the fact that the currency issue was raised by L.L. 10 million shortly before the elections began. Knowledgeable observers state that the additional currency was required to satisfy the tremendous demands for ready cash by candidates and their supporters. Still another increase in the currency issue remains a distinct possibility.

II. UNCLASSIFIED - Tourism: President Urges Support of Congres des Emigres

President Fuad CHEHAB has thrown his personal prestige behind the Government's drive to obtain a high attendance at the Congres des Emigres which opens on September 15. Prime Minister Ahmed DAOUK on June 20 read newsmen a personal message from the President in which he urged Lebanese emigrants to come to Lebanon in September and "cooperate" in boosting the development of the country. At the same press conference, Foreign Minister Philippe TAKLA outlined briefly the goals of the conference, stressing that the principal aim was to discuss development projects in the economic, cultural and social fields. He also urged the emigrants to cooperate and praised their past contributions to Lebanon. Lebanese diplomatic and consular missions abroad are also publicizing the conference.

On June 22, Foreign Minister Takla announced that the International Aviation Transport Association had approved the Lebanese request to reduce air fares by 25 percent for Lebanese emigres who wish to return for the conference. The final decision on such reductions, of course, remains with the individual airlines.

OFFICIAL USE ONLY - Comment: Stated simply, the tacit goal of the conference is to separate the emigrants from some of their money. Toward that end, elaborate draft projects are being prepared, and it is hoped that many wealthy emigres residing abroad will be moved to invest more of their funds in those development projects.

III. UNCLASSIFIED - Agriculture: Beka'a Valley Hard Hit by Drought

An inspection of the Beka'a Valley this week by the Agricultural Attache (resident in Cairo) revealed that the drought has had very serious effects. Mountain streams are now only trickles, or in many cases have completely dried up. Ground water supplies are much lower than last year, and deeper and deeper wells are being sunk frantically. This, in turn, dries up the more shallow wells, and the search for water continues.

The result has been a complete failure of the wheat crop in the northern Beka'a and a crop estimate of only 20,000 tons of wheat this year for the whole country. (A normal year would reap some 50,000 tons.) The senn pest has compounded the damage to the wheat, and the overall crop pattern has been seriously disrupted.

CONFIDENTIAL

0 1 7 3
DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

CONFIDENTIAL

Page 3
Desp. 761
From Beirut

OFFICIAL USE ONLY - Comment: With angry villagers forced to haul water from many miles away, the Government faces a potentially serious problem in many areas.irate villagers have already demanded immediate Government action, but efforts to truck in water to the most serious affected areas have not sufficed. The Minister of Agriculture informed the Attache that several years of above-average rainfall will be necessary to restore the depleted ground water supply.

IV. UNCLASSIFIED - Economic Development: Litani Inquiry Continuing (see BER 18)

The two-pronged technical and judicial inquiry into the Litani River Authority project is continuing. The Ministry of Public Works issued a statement on June 9 explaining to the public the nature of the investigation and predicting that work would be delayed for three to six months and final completion from one to two years. The Ministry also indicated that additional "international experts" would be called in on the Litani problem.

LIMITED OFFICIAL USE - Comment: It is unlikely that any definitive action will be taken until after the elections end on July 3. However, the fact that the court has locked the foreign contractors out of their offices and seized their files is indicative of the seriousness of the situation. Former LRA President Salim LAHOUD's defeat on June 12 in his race for Parliament will not enhance his chances of coming through the investigation unscathed. (Lahoud is now recovering in the hospital after collapsing on election eve from complete exhaustion.)

V. UNCLASSIFIED - Domestic Business: Beirut Industrial and Commercial Exposition Utilized for Showing U.S. Goods

The privately managed Beirut Industrial and Commercial Exposition was visited by 16,000 non-paying and 13,000 paying spectators and buyers between May 27 and June 19. Total exhibition space was 4,033 square meters, of which U.S. goods occupied approximately 25 percent (1,019 square meters). Bloc exhibitors (Czechoslovak, Hungarian and East German) took up 8.5 percent (343 square meters) and local industry, 17.5 percent (706 square meters) of the area. Space rented for L.L. 30 (\$9.40) per square meter. The Exposition was dominated by electric appliances (refrigerators, stoves and other kitchen equipment) and by television displays. Great interest was shown in electronic office machinery, of which Remington Rand was the only exhibitor. Sales were slow, but individual buyers were glad to be able to compare several makes at the same time. Attendance would probably have been larger had it not been for the coincidence of national elections. Another exposition is being planned in Beirut for June, 1961.

Comment: Thanks to effective backing from the Department of Commerce, the Embassy was able to gain the participation at the Exposition of a large number of local distributors who had U.S. goods in stock. Brevity of time prevented

CONFIDENTIAL

0174
DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

CONFIDENTIAL

Page 4
Desp. 761
From Beirut

the organization of a U.S. pavilion or compound, but stands exhibiting U.S. goods were made conspicuous through the use of colored posters showing the American flag and bearing the legend "American Quality" in English and Arabic. The Embassy has in preparation a detailed report on the Exposition in despatch form in accordance with CERP requirements.

VI. UNCLASSIFIED - Foreign Trade: Export Promotion Team Visits Lebanon

Messrs. Sethian and Dempsey of the Department of Commerce were guests of the Embassy from June 14 to 18. During this period they participated in a series of round-table conferences with leading representatives, American and Lebanese, of the automotive, household electric appliance, radio, TV, typewriter, business machinery, pharmaceutical, and fruit grading-packing equipment trades, as well as with directors of local U.S. and Lebanese banks. They also called on, or were called upon by, various officials of the Government of Lebanon. Their stay in Beirut was utilized, in accordance with the Department's instructions, as an occasion for a regional conference of Commercial Attaches and officers from Cairo, Amman, Damascus, Aleppo, Tel Aviv and Beirut. The team visited the Beirut Commercial and Industrial Exposition on its closing day and met exhibitors of U.S. goods at a reception given by the Commercial Attache.

Comment: Two separate reports will be submitted to the Department on the results of the team's visit: one by Messrs. Sethian and Dempsey in Washington; another by the Embassy in despatch form. Problems and opportunities were thoroughly explored at the conferences, close personal contacts were established, and the Embassy believes that the visit was successful. In the field of trade promotion, a sharp divergence of opinions was noted between importers and bankers. The former attributed the relative decline in the importation of U.S. goods, among other reasons, to a lack of adequate credit facilities; the latter, to an inadequate level of salesmanship among agents and distributors. A documented account of the conference is now being prepared by the Embassy for submission to the Department.

VII. UNCLASSIFIED - Foreign Trade: Port Traffic Increases in May

Beirut port activity increased in May to 142,613 metric tons, consisting of loadings of 25,313 metric tons and unloadings of 117,300 metric tons. The May figure compares with 126,752 metric tons during April and with 143,950 metric tons in May of 1959.

VIII. UNCLASSIFIED - Finance: (a) Currency Issue Increased during Second Consecutive Month

Late last week the bank of issue (Banque de Syrie et du Liban) announced that during the first two weeks of June the currency issue had been increased by L.L. 10 million to a total of L.L. 413,000,000. This increase followed a smaller rise

CONFIDENTIAL

00175
DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

CONFIDENTIAL

Page 5
Desp. 761
From Beirut

of L.L. 3 million recorded in early May (see BER 17). The currency issue is now at its highest level since October 1958; press comment speculated, however, that the expansion would be of short duration, tying it directly to heavy bank withdrawals in connection with the financing of the current electoral campaigns. The new issue was covered by a further increase in the currency cover element, "Government-guaranteed Loans to Third Parties", and resulted in a further slight decrease in the percentage of gold cover, which now stands at 82.85 percent.

OFFICIAL USE ONLY - Comment: It is believed that the press analysis is essentially correct, and that although the currency issue may be increased still further before the end of the electoral period, the following weeks will probably see at least some contraction.

UNCLASSIFIED - (b) Dollar Softens as a Result of Heavy Offerings

The dollar registered its first significant decline in many months during the fortnight under report. After falling off slightly from its recent high of L.L. 3.1925, the dollar, commercial account, sold at L.L. 3.18625 on June 8, just prior to the start of the current election period. By June 15 it had slipped to L.L. 3.18, and dropped to L.L. 3.1725 the following day. Early this week, however, it was holding for the moment at around L.L. 3.175.

OFFICIAL USE ONLY - Comment: A reliable banking source reports that this rather sharp reversal in the recent long-term trend of the dollar is also directly attributable to the elections. According to this source, local banks were forced to sell part of their rather large current supplies of dollars in order to help replenish holdings of local currency which had been depleted by the heavy withdrawals noted above. The impact of these dollar sales, coupled with a temporary slack in demand, resulted in the noted drop in the dollar rate to its lowest level since early last December. The source anticipates that following the end of the elections on July 3 the process will be reversed and, as a result, the dollar will probably then return to its pre-election level.

IX. UNCLASSIFIED - Industry-Labor: More Textile Workers Discharged (see BER 15)

After repeated warnings to the Government that smuggled textiles from the UAR and imported textiles from the Soviet Bloc were severely damaging the position of local manufacturers, the Arida Textile Plant in Tripoli discharged 140 employees during the past week. Claiming that its sales were down and warehouses full, the Arida management attributes the situation directly to "dumping" from the UAR and Soviet Bloc and has again asked for increased customs duties on imported textiles.

President Toufic SALLOUM of the Textile Workers Union has protested the lay-offs (all 140 workers received their indemnities) and threatened a possible strike if more discharges occur.

CONFIDENTIAL

0 1 7 6
DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

in the connection of 2014 coach, which now
new-instruction focus on little interest, su
new plans are being put in a limited increase
status in connection with the distribution of
the announced party he of every situation, fair
of the interest labor force occupied. Note: Please
of 11. 3 million members in Beirut area (see 10)

CONFIDENTIAL

Page 6
Desp. 761
From Beirut

LIMITED OFFICIAL USE - Comment: The union appreciates the textile company's predicament, however, and is more likely to bring pressure on the Government than on the company. Long plagued by foreign competition, local manufacturers are especially hard hit by smuggling from Syria. The Lebanese Government has thus far been unable or unwilling to take the steps necessary to halt it.

X. UNCLASSIFIED - Foreign Economic Relations: Possible Hungarian Trade Delegation to Lebanon

Local newspapers reported on June 11 that the Hungarian Consul in Damascus, a Mr. Pal MANIK, had discussed with Lebanese Foreign Ministry officials the possibility of a Hungarian trade mission coming to Beirut to negotiate a trade accord between the two countries.

OFFICIAL USE ONLY - Comment: Although unconfirmed, such a development would be in line with the Lebanese Government's policy of negotiating bilateral trade agreements with Soviet Bloc countries. The primary goal of such agreements is to push the sale of Lebanese apples and citrus fruits. Trade between Lebanon and the Soviet Bloc remains insignificant, however.

XI. UNCLASSIFIED - Labor: Airport Restaurant Workers Strike Settled (see BER 18)

The 180 employees of the restaurant at Beirut's International Airport returned to work on June 20 after an agreement was reached between the union and the Ministry of Public Works which ended the 28 day walkout. The new agreement reduces the number of working hours from 12 to 10½ per day, provides for three shifts a day, establishes a separate restaurant wing for airport and airline employees and increases the fixed wages by 15 percent. The employees also won their fight for pay for some of the days on strike. They will be paid for ten days, and will have another ten days deducted from their annual leave.

OFFICIAL USE ONLY - Comment: The settlement was reached after some concessions on both sides, but most of the demands by the Communist-dominated Hotel, Restaurant and Coffee Shop Employees and Workers Union were met by the Government. Prior to this strike, working hours at the airport had been limited to 12 hours per day. The agreement represents a net gain to the Communist union, which has undoubtedly gained in prestige as a result.

XII. CONFIDENTIAL - Civil Aviation: MEA and MASCO Agree to Merge

Reliable British sources have informed the Embassy that representatives of MEA and MASCO (Middle East Aircraft Service Company), both associated with BOAC, met with representatives of BOAC in London last week and agreed that MASCO will relinquish management control over its operations and ownership of its equipment and tools to MEA. Title to hangars, workshops and grounds will be retained by

CONFIDENTIAL

0177

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

CONFIDENTIAL

Page 7
Desp. 761
From Beirut

MASCO, which will lease them to MEA for twenty years with an option for MEA to purchase the remaining property for the sum of about L.L. 4 million. Public announcement of the merger is planned for this week. Until the announcement has been made, the British sources request that the foregoing be held in confidence.

Comment: The British suggest as the impelling reason for the change MEA's growing anxiety over MASCO's labor relations policies (see BER 16) which, given MEA's exclusive dependency upon MASCO's repair and maintenance services, has some plausibility. Embassy conversations with other sources, including the Chairman of the Board of MEA, who was a principal in the London talks, indicate that MEA's motives may run deeper. He pointed out, for example, the MASCO's Board of Directors (87 percent BOAC controlled) will now preside over "an empty shell" and that MEA (now reportedly only 40 percent controlled by BOAC) will henceforth be in a better position to decide its own policies. Given increasing competition between MEA, BEA and BOAC, this explanation also has merit. Whether the merger will prejudice negotiations between MASCO and The Babb Company, under the proposed terms of which MASCO contemplated stockpiling spare parts and engines for American aircraft, and under which MASCO might serve as a vantage point for the lease and sale of American aircraft in the area, remains to be seen.

Robert C. Creel

Robert C. Creel
Charge d'Affaires ad interim

Contributors:

LCThany
CBCook
JHEnnis

Copies sent: Amembassies Amman, Ankara, Baghdad, Cairo, Jidda, London, Paris, Tel Aviv, Tripoli; Amconsen Aleppo, Damascus, Dhahran; Amcons Aden, Kuwait

CONFIDENTIAL

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

Air Priority
PRIORITY

CONFIDENTIAL
(Security Classification)

DO NOT TYPE IN THIS SPACE

FOREIGN SERVICE DESPATCH

FROM : Amembassy BEIRUT

TO : THE DEPARTMENT OF STATE, WASHINGTON.

REF : CERP, Section C, Item 1; Embdesp 768, June 23, 1960

July 7, 1960

JUL 9 1960

PPT-2

67 For Dept. Use Only	ACTION REC'D 7/12	DEPT. IN F O OTHER	PMR-2 Rep-1 IRC-12 ICA-11 NEA-4 EUR-5 CIA-16 NSA-10 OCB-7 OSD-2 ARMY-35 NAVY-20 AIR-30 NSA-4 AB-8 IN-7 TR-3 FRB-3 XMB-4 TAP-2 LAB-6
-----------------------------	-------------------------	--------------------------------	---

SUBJECT: Biweekly Economic Review No. 20 - Lebanon - Period Ending July 7, 1960

Contents

- I. UNCLASSIFIED - Highlights
- II. UNCLASSIFIED - Foreign Trade and Economic Relations: (a) Transit Agreement to Become Effective August 1; (b) UAR to Permit Iraqis to Transit Syria
- III. UNCLASSIFIED - Tourism: Inter-Arab Tourist Congress Held in Beirut
- IV. UNCLASSIFIED - Industry: Merchants Oppose Proposal to Increase Customs Duties on Imported Textiles (see BER 19)
- V. UNCLASSIFIED - Finance: Currency Issue Again Increased
- VI. OFFICIAL USE ONLY - Labor: (a) Esso Strike Imminent (see BER 19); (b) UNCLASSIFIED - Subsidies to Labor Federations Announced
- VII. UNCLASSIFIED - Agriculture: Fruit Production and Export Figures Announced (see BER 17)

I. UNCLASSIFIED - Highlights

The fourth and final round of the Lebanese elections took place in the Beka'a Valley on July 3 with only minor incidents marring an otherwise uneventful and anti-climactic election day. Many newspapers have hailed the completed elections as the calmest in history. The newly elected Parliament is expected to meet for the first time within the next week or two and proceed to the selection of Parliamentary officers. Most speculation now centers around the selection of the next Prime Minister with Saeb SALAAM and Rashid KARAME being the two most favored candidates. On the economic scene, the fortnight was marked by very encouraging news for Lebanese tourism. Agreement was reached with the Syrian authorities to permit the land transit of Syria by Iraqi tourists coming to Lebanon for the summer, and agreement was also reached last week on the implementation of the long-pending Inter-Arab Transit

RPSmith/bm
REPORTER

CONFIDENTIAL

ACTION COPY - DEPARTMENT OF STATE

The action office must return this permanent record copy to RM/R files with an endorsement of action taken.

This Document must be Returned
to the RM/R Central File

883A.00/7-750-13

CLASSIFIED FILE

DECLASSIFIED

Authority NND 949569

By ET NARA Date 7/23/04

CONFIDENTIAL

Page 2
Despatch 17
From Beirut

Agreement. On the labor scene, the Esso Employees and Workers Union has announced that following fruitless year-long negotiations with the Esso company in Beirut, it has called a strike beginning on July 8. Such a strike could have unfortunate anti-U.S. repercussions.

II. UNCLASSIFIED - Foreign Trade and Economic Relations: (a) Transit Agreement to Become Effective August 1

The four-nation joint technical committee charged with preparing the implementation of the Inter-Arab Transit Agreement, which was signed in Damascus on December 9, 1959, met in Beirut on July 1 and completed its work on July 5. According to newspaper reports, complete agreement was reached between the members representing Lebanon, Jordan, Saudi Arabia and the UAR, and formal approval is expected in the near future. The agreement will become fully operative on August 1 and will remain in effect until June 5, 1961 (since the agreement has been operative in principle since June 5, 1960). It will be automatically renewed unless a party to the agreement denounces it or suggests an amendment thereto. The technical committee also announced that the four countries had agreed to permit other Arab nations, particularly Iraq and Kuwait, to adhere to the agreement simply by addressing a request to the Secretary General of the Arab League.

(b) UAR to Permit Iraqis to Transit Syria

On July 2, a Lebanese delegation headed by Mr. Ibrahim AHDAB, Director of Political Affairs in the Ministry of Foreign Affairs, journeyed to Damascus in an attempt to reach agreement with the UAR authorities on permitting Iraqi tourists en route to Lebanon to transit the Syrian province. Upon his return to Beirut in the evening, Mr. Ahdab informed reporters that agreement had been reached and that effective July 6, the Syrians would permit Iraqis to transit Syria on three days per week (Mondays, Wednesdays and Fridays). Iraqis travelling in public vehicles will have to change to Syrian vehicles at the Iraqi-Syrian frontier in order to transit the country, but privately owned Iraqi vehicles will be permitted to transit without difficulty.

CONFIDENTIAL - Comment: The new agreement with the Syrians, long sought by Lebanese authorities who are hungry for more Arab tourists, comes on the heels of a visit to Damascus by Lebanese Ambassador to the UAR Joseph ABU KHATER. There have been various reports in Beirut that an agreement was reached earlier between Lebanon and the UAR to the effect that the UAR would not interfere in Lebanon's elections and would act to resolve some of the economic problems which have been pending between the two countries, if Lebanon took steps to assure that no extreme elements such as members of the PPS party were elected to Parliament. Although

CONFIDENTIAL

0180

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

CONFIDENTIAL

Page 3
Despatch 17
From Beirut

there may be no direct relation, it is interesting that agreement has now been reached, precisely at the end of the Lebanese elections, on the solution of these two long-standing problems. Many Lebanese remain suspicious of the UAR's real intentions, however, and whether the agreements will actually be carried out remains to be seen.

III. UNCLASSIFIED - Tourism: Inter-Arab Tourist Congress Held in Beirut

An inter-Arab tourist congress opened in Beirut on June 28 with Lebanese Director of Tourism Michel TOUMA acting as host. All members of the Arab League were represented, and general discussions were held concerning possible means of improving tourism in all the Arab states. Most countries were represented by the heads of their respective tourism departments.

Beirut newspapers gave prominent coverage to the tourist congress throughout its deliberations, but welcomed in particular the announcement by the UAR delegate to the congress that the United Arab Republic has agreed to abolish all entry visas for Arabs travelling to the UAR. The congress itself passed resolutions calling on all Arab countries to assist in spreading propaganda abroad to encourage foreigners to visit Arab countries, to lift restrictions on the free transfer of currency by travellers and to decrease fares on all means of transportation. These developments have been warmly welcomed in Lebanon, which depends heavily on tourist revenues.

Comment: Lebanon's own tourist season has gotten off to a good start, with tourists entering daily in substantial numbers. Many observers believe that 1960 may be the best tourist season in history.

IV. UNCLASSIFIED - Industry: Merchants Oppose Proposal to Increase Customs Duties on Imported Textiles (see BER 19)

Following the action of the Arida textile plants in discharging over 100 employees and appealing to the Government to raise customs duties on imported textiles, the Association of Merchants in Beirut predictably announced its opposition to any such increase. The merchants tend to discount the manufacturer's claims of textile dumping by Iron Curtain countries and by the UAR and claim that local textile manufacturers are simply inefficient.

OFFICIAL USE ONLY - Comment: Despite the opposition of the merchants, there seems to be fairly widespread agreement that the local textile manufacturers have been hard hit by unfair foreign competition. The Director General of the Ministry of National Economy, Mr. Abdul Rahman TAYARA, has stated that it is almost "certain" that customs duties on such textiles will be raised in the near future. The textile unions are also supporting such a raise.

CONFIDENTIAL

0181

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

CONFIDENTIAL

Page 4
Despatch 17
From Beirut

V. UNCLASSIFIED - Finance: Currency Issue Again Increased

The currency issue was again increased last week by L.L. 3 million and on June 30 it stood at L.L. 416 million. The latest rise follows a L.L. 10 million increase during the first two weeks of June and is due largely to heavy bank withdrawals in connection with the just-ended electoral campaign. The new issue was again covered by a further increase in the currency cover element, "Government-guaranteed loans to third parties", and reduces the percentage of gold cover to 32.25 percent.

OFFICIAL USE ONLY - Comment: Some banking sources have predicted that the currency issue may increase to as much as L.L. 430 million by September before it begins to contract.

VI. OFFICIAL USE ONLY - Labor: (a) Esso Strike Imminent (see EER 19)

The year-long dispute between the Esso company and the Esso Employees and Workers Union is now apparently to culminate in a strike on July 8. Although the company has given ground on most of the demands made by the union, and has indeed offered a 6 percent wage increase, the key demand of the union, that of a new wage scale and job reclassification, has been flatly refused by the company. It is on the latter point that the negotiations have completely broken down. Although the original strike deadline was set for July 5, the union extended the deadline until the 8th to permit the company time to "reconsider".

CONFIDENTIAL - Comment: Since the positions of both the company and the union have hardened and are not expected to change, a strike on July 8 seems likely. The union has the complete support of the United Unions in its walkout, and the company feels it cannot give any more ground since it is already under fire from other local oil companies for giving "too much" on the other union demands. Government labor officials, while apparently reconciled to a strike, appear determined not to let it affect operations at Beirut's International Airport. They have also complained privately to Embassy officers over the "intransigent" attitude of the company. The Esso union refused a last-minute appeal by the Ministry of Labor to postpone the strike for a week, despite the urging of the United Unions to accept the postponement. Unfortunately, such a strike against a U.S.-owned company is likely to have anti-U.S. overtones.

UNCLASSIFIED

(b) Subsidies to Labor Federations Announced

In a decree issued on June 27, the Ministry of Labor and Social Affairs announced the distribution of subsidies to be used for administrative expenses of the labor federations. The money will be drawn from the 1960 budget of the Ministry. The League of Employees and Workers Unions of the Lebanese Republic

CONFIDENTIAL

CONFIDENTIAL

Page 5
Despatch 17
From Beirut

will receive L.L. 14,000; the United Unions of Employees and Workers in Lebanon, L.L. 11,000; the Federation of Independent Trade Unions in Lebanon, L.L. 7,000; and the Federation of Employees and Workers Unions in North Lebanon, L.L. 12,000.

Comment: A further distribution of the remaining L.L. 6,000 allotted for the subsidies will be distributed subsequently.

VII. UNCLASSIFIED - Agriculture: Fruit Production and Export Figures Announced
(see HER 17)

Minister of Agriculture Foad NAJJAR announced last week that this year's production of fruit in Lebanon totalled 325,000 tons. The total consists of 150,000 tons of oranges and other citrus fruit, 100,000 tons of other varieties of fruits, and 75,000 tons of apples. Mr. Najjar also revealed that some L.L. 500 million are invested in fruit production and that he expects the production figures next year to be even greater.

The Lebanese Fruit Office also announced last week the final figures on the exportation of fruit from Lebanon during the 1959-60 growing season. They reveal that 57,731 tons of apples and 89,305 tons of other fruit were exported by the end of May, 1960.

Comment: Mr. Najjar is also continuing his campaign to create a separate company which would handle the processing of all fruit for export. The proposed company would also build and operate refrigerated warehouses and fruit juice plants.

Robert C. Creel
Robert C. Creel
Charge d'Affaires, a.i.

Copies sent: Ambassadors AMMAN, ANKARA, BAGHDAD, CAIRO, JEDDA, LONDON, PARIS, TEL AVIV, TRIPOLI; Amconses ALEPPO, DAMASCUS, DHAHRAN; Amcons ADEN, KUWAIT

CONFIDENTIAL

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

DO NOT TYPE IN THIS SPACE

FOREIGN SERVICE DESPATCH

FROM : **Embassy BEIRUT** 47
DESP. NO.

TO : **THE DEPARTMENT OF STATE, WASHINGTON.**

REF : **CERP, Section C, Item 1; Embdesp 17, July 7, 1960**

July 21, 1960

27 For Dept. Use Only	ACTION	DEPT.
	REC'D	OTHER
	NEA-4	REP-1 RM/R-2 E-9 IRO-10 ICA-11 EHR-5 L-2
	9-26	COM-12 USA-10 LAB-6 TAR-2 TR-3 FRB-2 YMB-4

SUBJECT: Biweekly Economic Review No. 21 - Lebanon - Period Ending July 21, 1960

Contents

- I. OFFICIAL USE ONLY - Highlights
- II. UNCLASSIFIED - Industry: Textile Firms Threaten More Layoffs (see HER 20)
- III. UNCLASSIFIED - Government Policy: More U.S. Companies on Boycott of Israel Blacklist
- IV. UNCLASSIFIED - Economic Development: Work Resumes on Litani Project (see HER 19)
- V. UNCLASSIFIED - Communications: American Broadcasting Company to Support Lebanese Television Station
- VI. UNCLASSIFIED - Finance: (a) Lebanon May Increase Its Subscription to IMF; (b) Currency Issue Again Increased
- VII. UNCLASSIFIED - Foreign Trade: Port Traffic, Customs Receipts Drop in June
- VIII. UNCLASSIFIED - Foreign Aid: (a) USOM Railway Equipment Arrives; (b) DLF Loan Announced
- IX. UNCLASSIFIED - Labor: (a) Esso Strike Ends (see HER 20); (b) OFFICIAL USE ONLY - Lepco Strike Threatened
- X. UNCLASSIFIED - Aviation: (a) Lebanese-Czech Air Accord Reported Possible; (b) Lebanon Seeks Formal Air Agreements with Pakistan, Iran and Belgium; (c) OFFICIAL USE ONLY - King Saud Buys DC-6B; (d) UNCLASSIFIED - Operating Rights of Lebanese Air Carrier (104) Re-Reviewed

383A.00/7-2160

C.H.A.

LIMITED OFFICIAL USE

ACTION COPY — DEPARTMENT OF STATE

The action office must return this permanent record copy to RM/R files with an endorsement of action taken.

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

LIMITED OFFICIAL USE

Page 2
Despatch 47
From Beirut

I. OFFICIAL USE ONLY - Highlights

Dominating all other developments during the past fortnight was the completely unexpected resignation of President Fuad CHEHAB at noon on July 20. The President's sudden action took the entire nation by surprise and postponed what was to have been the resignation of the Daouk cabinet during the same session. President Chehab's resignation was withdrawn eight hours later after some 90 members of Parliament converged on his residence to urge him to reconsider in an emotion-packed scene reflecting the nation's impressive support for the President.

Business conditions remain good, despite a slackening in port traffic and customs receipts. More U.S. firms have been added to the Boycott of Israel blacklist and work has again been started on the controversial Litani project. The Esso strike was settled on July 13, but the United Unions have threatened a general strike if more large-scale layoffs in the textile industry occur. The Czechs appear to be making progress in their drive for a civil air accord with Lebanon, and the issue is now before the Council of Ministers.

II. UNCLASSIFIED - Industry: Textile Firms Threaten More Layoffs (see BER 20)

Lebanese textile manufacturers, apparently disgusted with the Government's failure to meet its demands for a raise in the duties on imported textiles, issued on July 16 a statement that almost amounts to an ultimatum to the Government. In identical notes to the Ministry of National Economy and the Ministry of Labor and Social Affairs, the textile manufacturers threatened to lay off some 7,000 textile workers by the first of August unless the Government (1) bans the importation of foreign textiles for one year; (2) increases by 50 percent the customs duties on subsequent importations of textiles; (3) abolishes the present exemption from customs duties enjoyed by textiles imported for the use of the Army and the Security Forces; and (4) applies the same customs duty to imported "job-lots" as that imposed on other textiles.

OFFICIAL USE ONLY - Comment: The proposals of the textile manufacturers are being opposed vigorously by the powerful Lebanese Merchants' Association, but the Lebanese trade union movement has so far tended to side with the manufacturers and has called upon the Government to take immediate action. On July 16, the United Unions addressed a note to the Ministry of Labor and Social Affairs threatening a general strike in the event that the layoffs on August 1 materialize. Because of the impact such discharges would have on the Lebanese economy, and because of the tremendous pressures now being brought to bear on the Government to raise the duties, some sort of remedial action is likely prior to August 1. The textile crisis will certainly be one of the first major problems to be faced by the new Government.

LIMITED OFFICIAL USE

0 0 1 8 5

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

LIMITED OFFICIAL USE

Page 3
Despatch 47
From Beirut

III. UNCLASSIFIED - Government Policy: More U.S. Companies on Boycott of Israel Blacklist

The Embassy has received unofficial confirmation that, although IBM was taken off the blacklist at the recent Tripoli conference of the Arab Boycott Liaison Officers, nine more U.S. firms were added. The Lebanese Boycott Office is to issue decrees in the near future effecting the operations and business transactions of these U.S. companies in Lebanon, which include Firestone, Packard-Studebaker, and Bulova Watch.

LIMITED OFFICIAL USE - Since news of the Tripoli Conference results has reached Lebanon, the Embassy has been approached by the local IBM and Firestone representatives. The former wished to express his thanks for the Embassy's good offices in obtaining relief for his company; the latter requested verification of the news and, if verified, the causes of the blacklisting. The Embassy has been able to verify unofficially the Firestone blacklisting from Mr. Nadim HALLAK, the Lebanese representative to the recent Tripoli Conference, who was, however, reluctant to divulge the reasons at this time and stated that official notification stating causative factors will be forthcoming soon. The Embassy is also arranging contact between the IBM and Firestone representatives.

IV. UNCLASSIFIED - Economic Development: Work Resumes on Litani Project (see BER 19)

Although the technical and judicial inquiry into the operations of the Litani River Authority (LRA) is continuing, work has now been resumed at the Karaoun Dam and in the Jezzine Tunnel. The Ministry of Public Works announced the arrival on July 20 of a team of World Bank experts who will discuss with Litani officials the resumption of the project, and Mr. Henri NACCACHE, new President of the LRA, is expected to leave for Washington in the near future for conversations with World Bank officials.

Comment: Former LRA President Selim LAHOUD has left the country and is now in Europe. Before leaving, however, the leading financial and commercial newspaper, *Le Commerce du Levant*, printed a lengthy statement by Lahoud in which he challenged the technical qualifications of the investigators and repeated his confidence that charges against him will be disproved in the long run.

V. UNCLASSIFIED - Communications: American Broadcasting Company to Support Lebanese Television Station

Officials of the American Broadcasting Company (ABC) and of La Compagnie de Television du Liban et du Moyen-Orient signed in Beirut on July 11 an agreement which provides for ABC's participation in the capitalization of the company (35%),

LIMITED OFFICIAL USE

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

LIMITED OFFICIAL USE

Page 4
Despatch 47
From Beirut

as well as its assistance in providing technical know-how, programming and publicity for the second Lebanese TV station.

Comment: The new TV station, organized by a group headed by Ruchdi MALOUF, expects to begin transmitting early in 1961. Knowledgeable observers in Beirut believe that the resulting competition between the two stations will be healthy and provide an improvement in the quality of the programming.

VI. UNCLASSIFIED - Finance: (a) Lebanon May Increase Its Subscription to IMF

A spokesman for the Council of Ministers announced last week that the Cabinet had decided to recommend to Parliament that Lebanon augment by 50 percent its participation in the International Monetary Fund. If approved by Parliament, this would raise Lebanon's subscription from \$4,500,000 to \$6,750,000. At the same time, the spokesman announced that the Ministry of Finance is now studying the possible participation of Lebanon in the International Development Association.

(b) Currency Issue Again Increased

During the first two weeks of July, the currency issue was again raised by L.L. 6 million, which brings the currency circulation to a new total of L.L. 422 million. As has previously been the case, the new issue was covered by a further increase in the currency cover element, "Government-guaranteed loans to third parties". The new action reduces the percentage of gold cover to 81 percent.

VII. UNCLASSIFIED - Foreign Trade: Port Traffic Customs Receipts Drop in June

Beirut port activity decreased in June to 123,070 metric tons, consisting of loadings of 20,128 metric tons and unloadings of 102,942 metric tons. The June figure compares with the May total of 142,613 metric tons. Customs receipts also dropped in June to a more normal figure of L.L. 8,557,000, a rather sharp drop from the May total of L.L. 9,694,000, which was the second highest monthly total in history.

Comment: Despite the decrease in customs receipts in June, the second quarter's total of L.L. 28,601,000 remains the highest quarterly figure in history. This is an encouraging sign for Lebanon, which leans heavily on customs receipts for revenue purposes.

VIII. UNCLASSIFIED - Foreign Aid: (a) USOM Railway Equipment Arrives

Twenty-five new railway flatcars for the Lebanese railway system arrived in Beirut on July 14, the last in a series of shipments of railway equipment valued at some \$1,255,000. The equipment has been provided by USOM in an attempt to

LIMITED OFFICIAL USE

DECLASSIFIED
Authority NND 949569
By ET NARA Date 7/23/04

LIMITED OFFICIAL USE

Page 5
Despatch 47
From Beirut

strengthen the Lebanese railway system. A total of 99 freight cars, 4 diesel locomotives and 50 flatcars have now been provided under the program.

(b) DLF Loan Announced

Beirut newspapers gave prominent treatment on July 19 to the announcement that the Development Loan Fund in Washington had announced its approval of a \$400,000 industrial loan to the Societe pour l'Industrie des Metaux for expansion and diversification of its aluminum extrusion plant in Beirut.

IX. UNCLASSIFIED - Labor: (a) Esso Strike Ends (see BER 20)

Upon the expiration of its July 8 deadline, the Esso Employees and Workers Union inaugurated a very effective "sit-down" strike of blue and white collar employees that closed down Esso service stations and the company's airport services. The other oil company unions at the airport refused to refuel aircraft of those companies under contract to Esso, but otherwise gave the Esso union only moral support. The airlines affected were SAS, KLM, Air Jordan and Misrair, all of whom had to divert some flights because of the strike.

Government attempts at mediation finally culminated in a July 13 meeting between Ministry of Labor officials, union representatives and management at which a final agreement was reached. Under the agreement, the union won an 8 percent cost of living allowance retroactive to January 1960, improved medical benefits, reclassification of three workers, and "Sunday" pay for those workers having at least two years of service with the company. The company also agreed to continue its study of a pension project, and the Ministry of Labor and Social Affairs undertook to study the question of a wage scale and job classification. In return, the union agreed to resume work on July 14.

LIMITED OFFICIAL USE - Comment: Although the terms of the agreement certainly represent a substantial gain for the union, it did not succeed in what it has always proclaimed as the "only real issue", that of winning the company's agreement to a wage scale and job classification. Substantial agreement had been reached between the company and union president Afif ZINATI on all the other issues on several prior occasions, but negotiations always broke down on the question of a wage scale and job classification. It seems likely, therefore, that despite Zinati's success in winning substantial benefits for the union, he has probably lost face in backing down before the company's adamant stand against the wage scale and job classification. His position has undoubtedly been improved, however, by assurances received from the Ministry of Labor and Social Affairs that it would investigate the possibilities of issuing a decree which would "force" all companies to inaugurate a wage scale and job classification. The union also failed to win its demand for a 3 percent annual automatic raise.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

Page 6
Despatch 47
From Beirut

(b) OFFICIAL USE ONLY - Lepco Strike Threatened

The Executive Secretary of the United Unions has informed the Embassy that if the Lebanese Petroleum Company (Lepco), the distributor for Caltex in Lebanon, carries through with its intention to discharge ten of its employees, and to allow an independent contractor to transport fuel from the dumps to its stations, the Lepco Employees and Workers Union will go out on an immediate strike. Formal negotiations have not yet begun, but will undoubtedly take place in the immediate future if the company follows through with its intentions.

X. Aviation: UNCLASSIFIED - (a) Lebanese-Czech Air Accord Reported Possible

Press reports over the past week have stated that following a new request by the Czech Government, the Lebanese Ministry of Foreign Affairs has asked the Council of Ministers to decide whether a direct air route between Prague and Beirut should be established.

OFFICIAL USE ONLY - Comment: In response to Embassy inquiries, the Ministry has confirmed the accuracy of these reports, adding that an air agreement was, in fact, negotiated with the Czechs in 1957, providing for exchange of flights between Prague and Beirut, and that the agreement has since awaited the approval of the Council of Ministers. Although other details are not yet available, there would appear to be ample time for further Embassy investigation and for representations, if required, since any further consideration of the Czech accord must await the formation of a new Government.

(b) UNCLASSIFIED - Lebanon Seeks Formal Air Agreements with Pakistan, Iran and Belgium

Lebanese and Pakistani delegates met on July 20 at Beirut to formalize air agreements under which airlines of the two countries have been operating between Beirut and Karachi. Press reports indicate that similar negotiations are scheduled with the Iranians and Belgians.

Comment: The Embassy has been told by the Director of Civil Aviation that the negotiations reflect a general effort on the part of Lebanese civil air authorities to reduce to formal terms the numerous "understandings" which have heretofore served Lebanon in the place of formal bilateral air agreements.

(c) OFFICIAL USE ONLY - King Saud Buys DC-6B

According to the Beirut representative of The Babb Company, who claims to have promoted the sale, King Saud has recently made a down payment on a DC-6B, to be used as his personal airplane. The plane, purchased from SAS, is scheduled

LIMITED OFFICIAL USE

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

LIMITED OFFICIAL USE

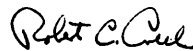
Page 7
Despatch 47
From Beirut

for delivery to Jidda in August. The SAS delivery crew will remain in Saudi Arabia long enough to train a Saudi Arabian crew to fly the aircraft.

(d) UNCLASSIFIED - Operating Rights of Lebanese Air Carriers to Be Reviewed

The Director of Civil Aviation has invited all four Lebanese airlines to a series of conferences beginning late this month to consider renewal and reallocation of air operating rights among the four airlines, effective January 1, 1961. Current operating certificates of the four carriers will expire on December 31 of this year.

OFFICIAL USE ONLY - Comment: It may be expected that the conferees will agree to retain much of their present route structures. The meetings are, however, certain to involve intensive bargaining among the airlines over the allocation of new routes on which Lebanese carriers are not yet operating; e.g. Beirut-New York, Beirut-Moscow.



Robert C. Creel
Charge d'Affaires, a.i.

Contributors:

ICTihany
JHEnnie

Copies sent: Ambassades Amman, Ankara, Baghdad, Cairo, Jidda, London, Paris, Tel Aviv, Tripoli; Amconsen Aleppo, Damascus, Dhahran; Amcons Aden, Kuwait

LIMITED OFFICIAL USE

Air/Priority		UNCLASSIFIED (Security Classification)	DO NOT TYPE IN THIS SPACE
FOREIGN SERVICE DESPATCH			883a-00/8-160
FROM :	Embassy BEIRUT	66	AUG 5 1960
TO :	THE DEPARTMENT OF STATE, WASHINGTON.	August 1, 1960	
REF :	CERP Section C, Item 2; Embdesp 414, Jan. 19, 1960; CERP Section D, Items 1-A-3, 4, 6; B-1, 2, 3, 5; 11-A-2, 5, 6; B-1; III-A-1, 3; IV-A-3, 4, 5, 6; V-A-1, 2, 3; 6, 7; B-2, 4; VI-A-2; VII-A-1, 5; VIII-A-1, 2, 4, 5, 6; 9-1, 2, 3; IX-A-2; 10		
67	For Dept. Use Only	REC'D	8/8
68	For Dept. Use Only	REC'D	8/8

SUBJECT: Lebanon: Summary of Economic Developments - Second Quarter 1960

TABLE OF CONTENTS

Summary	2
I. Finance	
A. Money and Banking	3
B. Taxes	4
C. Exchange Market	4
D. Stock Exchange	4
II. Foreign Trade and Economic Relations	5
III. Agriculture	6
IV. Industry	7
V. Construction and Rents	7
VI. Tourism	7
VII. Domestic Business	8
VIII. Aviation	8
IX. Petroleum Affairs	9
X. Labor	10
XI. Economic Development and Foreign Aid	11
XII. Government Policy	12

Lebanon - Economic Indicators

Enclosure No. 1

1960 AUG 3 10 10 10

REPORTER

UNCLASSIFIED

ACTION COPY -- DEPARTMENT OF STATE

The action office must return this permanent record copy to RM/R files with an endorsement of action taken.

883A.00/8-160

FILED
AUG 22 1960
LWS

UNCLASSIFIED

Page 2
Despatch 66
From Beirut

NOTE:

As was the case with the despatch summarizing Economic Developments during the first quarter of 1960, this despatch covering the second quarter has also been delayed in order to obtain at least some meaningful statistical data. As reported in Embdesp. 494, February 19, 1960 and in Embdesp. 18, July 7, 1960, there has been no improvement in the availability of statistical data in Lebanon, and the statistical office of the Lebanese government is not yet functioning. Except for those statistics contained in enclosure one, therefore, this despatch is based largely on personal observation and on conversations with Lebanese government officials and business men.

SUMMARY:

UNCLASSIFIED

Economic developments in Lebanon during the reporting period were almost completely overshadowed by the electoral campaign in May and June preceding the election of a new 99-member Parliament. A caretaker Cabinet has been in office since the middle of May, and government activity in the economic field decreased sharply during the quarter as a result of its preoccupation with the elections.

The Lebanese economy has continued to prosper during the second quarter of 1960, largely as a result of Lebanon's traditional role as a trade and services center for the Middle East. Banks have continued to prosper, retail activity is thriving and the construction boom in Beirut is continuing, although at a slightly reduced rate. Traffic at the Beirut port decreased during the second quarter, although customs receipts reached the highest level in history.

In the financial sector the most noteworthy development was the increase in currency issue during the quarter of \$18 million, a development which was attributed largely to the heavy demand for Lebanese pounds during the electoral campaign.

Lebanese trade unionists joined with other Arab unions in boycotting U.S. shipping between April 29 and May 9, and Lebanon has continued to cooperate with the Arab boycott of Israel.

There were three major strikes during the quarter, and the agricultural sector continued to suffer as a result of the third consecutive year of inadequate rainfall. At the same time, citrus fruit and apples have moved well into foreign markets, and government efforts to tighten controls over packing and grading standards should increase such exports in the coming years. The industrial sector was marked by the demands of the Lebanese textile manufacturers for an increase in customs duties on imported textiles; they have threatened a layoff

UNCLASSIFIED

UNCLASSIFIED

Page 3
Despatch 66
From Beirut

of some 7,000 employees on August 1 unless such customs relief is forthcoming. Most observers believe that the summer tourist season this year will be a good one, and early indications are that more tourists are now flocking into Lebanon than was the case last year.

Charges of irregularities in the Litani River Authority hydroelectric project burst into the headlines in May, and a judicial and technical inquiry into the operations of the Litani office is continuing.

As has traditionally been the case, Lebanon's prosperity continues to depend more on the shrewdness and ingenuity of its business community than on more visible factors. The probably unhealthy emphasis on trade and services continues, but since Lebanon has prospered under such a system, any move to shift this emphasis is likely to meet with heavy opposition.

* * * * *

1. FINANCE

(a) Money and Banking

The traditionally unregulated field of banking in Lebanon continued to prosper during the second quarter of 1960. Three new banks with a total capital of L.L. 10 million were incorporated during the quarter, bringing the number of approved banks operating in Lebanon to a new total of 47. In general, money has been readily available to the commercial sector, while the outlook for long-term loans to industry is somewhat brighter as a result of the signing of the DLF loan agreement with the Banque de Credit Agricole, Industriel et Foncier (BCAIF).

The electoral campaign during May and June has reduced banking activity in the commercial sector somewhat; bank clearings dropped to L.L. 171 million in April, but quickly bounced back to L.L. 186 million in May and L.L. 192 million in June.

The amount of currency in circulation has reflected an upward trend throughout the reporting period. In the first change since October 1959, the currency issue was increased during the first two weeks of May by L.L. 3 million to a new total of L.L. 403 million. In June, the currency issue was raised twice, first by L.L. 10 million and then by L.L. 3 million, which brought the total of currency in circulation at the end of the quarter to a new high of L.L. 416 million. This sharp increase caused the percentage of gold cover to drop to 82.25 percent at the end of June. In each case, the new issue was covered by a

UNCLASSIFIED

0193

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

UNCLASSIFIED

Page 4
Despatch 66
From Beirut

further increase in the currency cover element, "Government-guaranteed loans to third parties". Most observers attributed the steady increase in the currency issue to heavy bank withdrawals in connection with the financing of the electoral campaign.

The continuing lack of adequate statistical data, combined with the confidential nature of both public and private banking operations, makes it impossible to obtain accurate data in the fiscal sector. Figures beyond December 1959 are not available for demand deposits, time deposits or loans and discounts. Some private banking sources estimate, however, that demand deposits have continued to rise and may stand as high as L.L. 900 million.

Similarly, no accurate information is available on the movement of foreign exchange during the quarter, although it is apparent that the inflow of private capital from oil-rich Arab countries has continued (see Section V).

(b) Taxes

Long concerned about Lebanon's somewhat complicated tax system, the Government has now indicated a determination to take a long, hard look at the entire tax structure. Dr. Benjamin Higgins, a tax expert from the University of Texas, arrived in Beirut on June 19 and is now engaged in an exhaustive study of the Lebanese tax system. Dr. Higgins is expected to suggest a set of alternative tax systems to be considered by the Lebanese Government.

(c) Exchange Market

The foreign exchange market operation was in general fairly stable during the first two months of the quarter. In June, however, reversing what had been a recent long-term upward trend, the dollar dropped from L.L. 3.185 to L.L. 3.165, while the Syrian pound also dropped from L.L. .87 to L.L. .83. The Egyptian banknote, which at the end of March was quoted at L.L. 6.53 on the Beirut market, was quoted at L.L. 6.31 at the end of the quarter.

The decline in the dollar was attributed by many observers to the electoral campaign, which caused some banks to sell part of their supply of dollars in order to replenish holdings of local currency depleted by the heavy withdrawals of the Lebanese pound.

(d) Stock Exchange

During the second quarter, 75,402 shares changed hands on the Beirut bourse as compared with 96,444 shares during the first quarter of 1960. The "Lebanization" of the Beirut Port Company touched off considerable speculation in its stock, and

UNCLASSIFIED

0194

DECLASSIFIED
Authority NND 940569
By ☒ NARA Date 7/23/04

UNCLASSIFIED

Page 5
Despatch 66
From Beirut

during April, 21,984 shares changed hands. On April 13, the day on which the port convention was signed, the stock showed a net gain of L.L. 14. Following the Arab boycott of American ships, however, the stock dropped from L.L. 267 to L.L. 255 and closed at that figure at the end of June.

Speculation also continues in the stock of the Compagnie Libanaise des Petroles (CLP). CLP shares rose from L.L. 372 at the end of March to L.L. 530 on June 20. It closed at the end of the reporting period at L.L. 493. The company's oil exploration studies are reportedly progressing on schedule; and exploratory drilling is expected to begin in the near future.

II. FOREIGN TRADE AND ECONOMIC RELATIONS

Although Beirut port activity during the second quarter declined somewhat from the booming first quarter, the figures for customs receipts during the quarter were the highest in history (see Section VII). Part of the decline in port activity can be attributed to the failure to implement the transit trade agreement between Lebanon, Jordan, Saudi Arabia and the UAR, which was initialed on December 9, 1959. Recent meetings of joint technical committees have agreed, however, to put the transit accord into operation beginning on August 1, 1960. The same factor also undoubtedly contributed to a further decline in total transit movement through the Port of Beirut, which dropped in the second quarter to 79,701 metric tons from the previous quarter's total of 88,807 mt. The increasing reliance of Syria on the Port of Latakia and Jordan on the Port of Aqaba is also reflected in the declining transit trade figures, which are averaging just over half of those of 1957. A ban on the import into the Syrian Province of the UAR of "luxury" goods, such as automobiles, motorcycles, refrigerators and washing machines, has also decreased trade between the two countries.

In retaliation for the picketing of the Egyptian ship "Cleopatra" in New York on April 13, Lebanon joined the other Arab States in a boycott of all U.S. flag vessels beginning at midnight on April 29. The action was taken by Lebanese trade unionists, and the Lebanese Government refrained from making any comment on the boycott crisis. Only three U.S. ships were diverted during the boycotting, and since none carried extensive cargoes, trade between the United States and Lebanon was not affected extensively. However, a longer range effect will probably be felt, since the boycott forced many Lebanese merchants to instruct their U.S. agents to ship their cargoes on foreign bottoms. On May 9, the Executive Council of the International Confederation of Arab Trade Unions met in Beirut and agreed to lift the boycott of U.S. ships effective at midnight on the same day. The first American ship entered the Port of Beirut early on the following morning and was off-loaded without difficulty or incident.

A Lebanese trade delegation visited Poland and Czechoslovakia in April and succeeded in winning the agreement of Czechoslovak authorities to increase the

UNCLASSIFIED

0195

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

UNCLASSIFIED

Page 6
Despatch 66
From Beirut

importation of Lebanese fruit to a new total of 7,000 tons annually. The Poles also reportedly agreed to import some 4,000 tons of Lebanese fruit annually and increased the trade exchange quota to \$1.5 million. As has traditionally been the case, Lebanon is endeavoring to step up its fruit exports to Soviet Bloc countries (See Section III).

From June 14 to June 18 a series of round-table conferences were held in Beirut between representatives of the Department of Commerce and leading American and Lebanese representatives of several different industries in Beirut. The occasion was also utilized to hold a regional conference of Commercial Attaches, during which various problems of trade promotion were discussed. Most Lebanese importers of U.S. goods attributed the relative decline in the importation of such goods to unsatisfactory contacts with U.S. principals and to a lack of adequate credit facilities; most bankers, on the other hand, ascribed the decline to an inadequate level of salesmanship among agents and distributors.

III. AGRICULTURE

The agricultural sector continues to be one of the soft spots in the Lebanese economy. Rainfall during the second quarter was again very slight, and the third consecutive year of inadequate rainfall has resulted in a severe lack of irrigation water, very low sub-soil moisture, shortages of forage, below-average yields, dry cisterns in villages, and a harvest of smaller size fruits.

The already poor wheat crop in the Beka'a Valley was further damaged by attacks of the senn pest during April, and an unusually severe heat wave during the first week of May damaged the new apple crop then blossoming on the trees. The estimated wheat crop for this year will be approximately 20,000 tons.

The Ministry of Agriculture has announced that during the 1959-60 season (as of the end of June), Lebanon had exported 90,827 tons of citrus fruit and 58,396 tons of apples. Most of these crops were exported into neighboring Arab States, although Soviet Bloc nations and Soviet Russia itself have also stepped up their purchases of Lebanese fruit.

Exports of Lebanese citrus fruit and apples are expected to increase during the coming years. Many new trees have been planted, and the Government is intensifying its efforts to tighten its control over the packing and grading standards of fruit for export. If adequate quality control is established on such exported fruit, its reputation abroad is likely to be enhanced, with a consequent upsurge in purchases of Lebanese fruit.

UNCLASSIFIED

0196

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

UNCLASSIFIED

Page 7
Despatch 66
From Beirut

IV. INDUSTRY

Throughout the second quarter of 1960, the industrialists who head Lebanon's textile industries have repeatedly complained to the Government about their increasing inability to compete with what they call "dumping" of textiles from the UAR and Soviet Bloc countries. They have called for increased customs duties on imported textiles and have threatened to close down their factories if they are not given immediate customs relief. The demands of the industrialists are being vehemently opposed by the powerful Beirut Merchants' Association, who claim that the Lebanese textile industry's inability to compete with foreign competition is due simply to poor management and inefficiency. Labor unions in the industry have tended to go along with the industrialists on the question, and have added their voice in support of the industry's pleas for increased customs duties. At the same time, the unions have threatened a general strike if the textile manufacturers follow through on their threat to lay off some 7,000 employees on August 1. It appears likely, however, that the Government will take some action to ease the textile situation before the August 1 deadline.

A total of 19 new companies were incorporated during the second quarter with a total capitalization of L.L. 32 million. This compares with the first quarter total of 12 new corporations with a capitalization of L.L. 20.8 million. No data are yet available on the cement industry, although production is undoubtedly holding up well due to the continuing building boom in Beirut.

V. CONSTRUCTION AND RENTS

New buildings are continuing to rise throughout Beirut, and although figures are not available on the number of new building permits issued, it is apparent to any observer that the building boom is continuing, although at a slightly reduced rate. Since the boom depends in large part upon the continuing inflow of capital from oil-rich Arab states, however, it is largely speculative. Most buildings continue to be built by Lebanese contractors for the specific purpose of resale to nationals of other Arab states who wish to invest in Lebanese real estate. Rents remain high, and despite the presence of a great many empty apartments, they show no signs of decreasing.

VI. TOURISM

Planning continues for the opening of the "Congres des Emigres" on September 15, and the Government is sparing no effort to make the convention a successful one. The tourist season has gotten off to an excellent start this summer with almost daily reports of the arrival of foreign tourists in large numbers.

UNCLASSIFIED

0197

DECLASSIFIED
Authority NND 949569
By ET NARA Date 7/23/04

UNCLASSIFIED

Page 8
Despatch 66
From Beirut

The Lebanese Director of Tourism, Michel TOUMA, announced on May 21 that Lebanon's income from tourism during 1959 had approximated L.L. 110 million. He stated that there were 644 hotels in Lebanon comprising 10,545 rooms with 20,484 beds. Mr. Tuma estimated that some 75,000 persons benefit directly or indirectly from the hotel business in Lebanon.

The tourism industry is one of Lebanon's major income earners, and the country's mild climate and tourist attractions make it likely to increase in importance even more in the future. The government is reported to be considering the appropriation of a larger share of tourist revenues to tourism promotion.

VII. DOMESTIC BUSINESS

Lebanon's role as a trade and service center for the Middle East continues unabated, and domestic business conditions during the second quarter have been good. Retail sales have held steady, and figures for new vehicle registrations reveal that they are climbing steadily. There were 2,598 new registrations during the quarter, almost twice as many as those registered during the fourth quarter of 1959.

Customs receipts for the second quarter were the highest in the history of Lebanon, reaching a total of L.L. 28,601,000. Business in Beirut received another impetus from the privately managed Beirut Industrial and Commercial Exposition which opened on May 27. The exposition was visited by some 30,000 persons, and U.S. exhibits occupied some 25 percent of the total exhibition space. Sales were slow, but were undoubtedly held down somewhat by the coincidence of national elections during the same period. The exposition was dominated by electric appliances and television displays.

VIII. AVIATION

Civil aviation developments during the second quarter involved principally (1) the purchase by Middle East airlines of the facilities of the Middle East Aircraft Service Company and (2) steps by the Government of Lebanon to regularize the operating rights of its airlines.

Middle East Airlines (MEA) completed negotiations in June for the purchase of the tools and equipment and the administration building of the Middle East Aircraft Service Company (MASCO), perhaps the largest and best-equipped aircraft maintenance, repair and overhaul facility in the Middle East. Management control over MASCO operations was relinquished to MEA. The sale was accompanied with a lease of MASCO's hangars, workshops and grounds to MEA for a twenty-year period with an option to purchase. MEA has shown a willingness to continue the

UNCLASSIFIED

0198

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

UNCLASSIFIED

Page 9
Despatch 66
From Beirut

negotiations begun by MASCO under which an American Company might stockpile American aircraft spare parts in MASCO facilities and offer technical supervision of American aircraft repair and overhaul for the Middle Eastern region.

Lebanese airlines, of which there are four, have for several years operated under temporary permits which expire on December 31 of this year. At the same time, their operating rights into other countries have in many instances rested solely upon informal understandings with other countries. During the second quarter the Government of Lebanon completed negotiations and signed a bilateral air transport agreement with Italy, formally confirming operating arrangements under which airlines of the two countries had traded flights since February. The Government has also let it be known at intervals that it is making progress toward the signing of formal air agreements with Argentina, Afghanistan, Morocco, Iran, Cyprus, Liberia, Ghana, Belgium and Pakistan. Civil aviation authorities are also known to have issued invitations to the Lebanese airlines to join in a series of conferences beginning in July, looking toward an indefinite reallocation of air operating rights effective January 1, 1961.

IX. PETROLEUM AFFAIRS

Throughout the second quarter, throughput to Sidon of the Trans-Arabian Pipeline Company (Tapline) and refinery runs at Tripoli continued to drop. Tripoli Terminal receipts from the Iraq Petroleum Company (IPC) pipeline increased, however, with the completion of the new 30-inch loop, and a feared cutback in Medreco's refinery runs was averted.

For the three months of the second quarter, Tapline's throughput was 235,937 b/d, 208,765 b/d, and 193,359 b/d, respectively, reflecting the continuing tanker surplus and the company's decision to reduce its contingent liabilities on unsettled transit fee questions. The Tripoli refinery operated at 2,055 b/d, 1,631 b/d, and 2,231 b/d during the three months of the quarter as negotiations for its modernization made no progress.

The new loop in the IPC pipeline from Kirkuk to Tripoli went officially into operation on May 16, increasing its capacity from 7.5 million long tons per annum to 10.5 million (150,000 b/d to 210,000 b/d). Receipts at the terminal during the three months were 158,687 b/d, 154,809 b/d and 207,536 b/d.

The Medreco refinery at Sidon was faced with a problem of fuel oil disposal which at one time threatened a 10 percent cutback. The problem still exists, because Medreco cannot sell fuel oil below the Philadelphia wholesale price under the terms of its concession. However, prospects improved when the Government decreed that Government agencies must now buy local production.

UNCLASSIFIED

0199

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

UNCLASSIFIED

Page 10
Despatch 66
From Beirut

This means that the existing power station contract for Soviet Bloc fuel oil will presumably not be renewed. Medreco operated at 11,713 b/d, 12,481 b/d, and 11,941 b/d during the second quarter.

X. LABOR

The second quarter of 1960 had somewhat more than its share of labor difficulties, with three major strikes marring the scene. On May 5, some 500 out of a staff of 900 employees of the Mideast Aircraft Service Company (MASCO) walked off the job for one day and again resumed their strike on May 18. A back-to-work notice from MASCO management resulted in all but 120 of the strikers returning to the job on May 19. The basic issue was the alleged company interference with the employees' right to join the Airline Companies Union, which is affiliated with the United Unions of Employees and Workers (UUEW). The Airline Companies Union in turn threatened to call out on a sympathy strike its other members while pressing the UUEW to ask the unions representing the workers who refuel planes to walk out in sympathy. Agreement was finally reached on May 25 which provided for the reinstatement of the 120 holdouts and a UUEW-supervised election of officers for a union to consist solely of MASCO employees.

The restaurant at Beirut's International Airport was closed down on May 23 when the Communist-dominated Hotel, Restaurant and Coffee House Workers Union went out on strike. The strike was called because of the restaurant concessionaire's insistence that the staff work a twelve hour day with only twelve hours rest. The 180 employees of the restaurant returned to work on June 20 after an agreement was reached between the union and the Ministry of Public Works which called for a reduction in the number of working hours from 12 to 10½ per day, a three-shift day, a separate restaurant wing for airport and airline employees, and an increase in fixed wages by 15 percent.

The 1,600 members of the UUEW-affiliated Regie Employees and Workers Union walked off the job on May 16 and returned to work three days later after reaching agreement with the Government for the payment of one month's wages to compensate for the increased cost of transportation to and from work. The Regie operation recently moved into a new plant situated in one of Beirut's suburbs and is not served by the low cost "service" taxi lines.

On May 9, the Executive Committee of the International Confederation of Arab Trade Unions (ICATU) met in the Beirut headquarters of the Federation of Independent Trade Unions (FITU) and decided to open a permanent office in Beirut. At the same time the ICATU committee passed a resolution lifting the boycott of U.S. ships, to become effective at midnight on May 9. At the end of the reporting period, however, the ICATU office in Beirut had not yet been opened.

UNCLASSIFIED

0200

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

UNCLASSIFIED

Page 11
Despatch 66
From Beirut

XI. ECONOMIC DEVELOPMENT AND FOREIGN AID

The long-rumored difficulties on the Litani River Authority (LRA) Hydroelectric Project burst into the open on May 21, when a Beirut Arabic-language newspaper charged that officials of the LRA had been guilty of "glaring irregularities" which resulted in a long and costly delay in the completion of the project. A two-pronged judicial and technical inquiry was begun, and a team of government experts headed by Minister of Public Works George NACCACHE was continuing its perusal of a 400-page investigation on the project at the end of the reporting period. LRA President Salim LAHOUD resigned his post in May in order to run for Parliament and was replaced by a prominent Lebanese engineer, Mr. Henri NACCACHE. Early in June, the Ministry of Public Works issued a statement explaining to the public the nature of the investigation and predicting that work on the project would be delayed from three to six months while final completion might be delayed as much as one or two years. The Ministry also indicated that additional "international experts" would be called in on the Litani problem. Most of the controversy swirls around charges that improper precautions were taken in the digging of one of the key tunnels of the project and that the Karaoun Dam's design is not appropriate. Work on the entire project has proceeded at a very slow pace and was almost halted while the investigation was under way. Work has now begun again in earnest, but the completion date is almost certain to be set back considerably.

On May 5 and 6 Beirut newspapers gave prominent treatment to the news from Washington that the DLF agreement to loan \$5 million to the Banque de Credit Agricole, Industriel et Foncier (BCAIF) was signed in Washington on May 4. The loan is intended to enable BCAIF to aid the establishment of new industries in Lebanon. Proceeds of the loan are to be used only for long-term loans to industries, which have suffered for years from the lack of long-term credit.

Later in May additional publicity was given to the EXIMBank loan of \$3,175,000 to the Societe des Grands Hotels due Liban for completion of construction of the new Phoenicia Hotel in Beirut. The 320-room, eleven-floor hotel will be operated by the Intercontinental Hotels Corporation, a wholly-owned subsidiary of Pan American World Airways.

Shipments of wheat from the 20,000 tons of PL 480, Title II wheat recently granted to Lebanon to help meet the shortage arising from drought and insect damage arrived during the reporting period. Meanwhile, work on the projects being financed from the proceeds of the PL 480 Title II wheat sold in Lebanon during late 1958 and early 1959 continued. These projects are the construction of the sewer system in Tripoli, the improvement of the facilities of the airport in Beirut, the rural power transmission project and the highway development program. Construction activities on the Dbaye-Sarba section of the North Coast highway has continued throughout the quarter.

UNCLASSIFIED

0201

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

UNCLASSIFIED

Page 12
Despatch 66
From Beirut

The Executive Development Program, designed to help meet the urgent need for top-level and middle-level management training in Lebanon, completed its work on June 10 and appeared in general to be very favorably received by Lebanese businessmen. Shipments of railway equipment provided by USOM continued to arrive throughout the second quarter. When completed, a total of 99 freight cars, 4 diesel locomotives and 50 flatcars with a total value of some \$1,255,000 will be provided under the program.

XII. GOVERNMENT POLICY

Political activity in Lebanon began to intensify in April in preparation for the electoral campaign. The Cabinet of Prime Minister Rashid KARAME resigned on May 14 to give way to a caretaker 8-man Cabinet headed by Ahmed DAOUK, a wealthy Moslem businessman and long-time Lebanese Ambassador to France. Government activity decreased sharply during the electoral campaign, with the caretaker government largely concerned with maintaining security and insuring that a free election was possible. The elections began on June 12 and ran over four consecutive Sundays. They were held in an atmosphere of almost unprecedented calm with no major incidents marring the 4 election days.

No major changes in the government's policies have been noted during the quarter, and the stated Lebanese policy of non-expropriation, free trade, free currency convertibility and a minimum of government interference in private enterprise is still very much a part of the scene.

Lebanon continued its policy of full cooperation with the Arab League boycott of Israel during the quarter, and the belief persists that it may soon join in tightening boycott regulations which may well place more U.S. firms on the blacklist.

On April 28, in one of its last meetings, the Chamber of Deputies approved unanimously the agreement between the Beirut Port Company and the Government of Lebanon under which the company's concession was withdrawn and the previously French-owned firm was "Lebanized". The company will now become wholly Lebanese-owned and operated, although the present management will continue to operate the company until 1990. The "Lebanization" of the Port Company continues the trend to withdraw concessions from foreign companies that was started with the purchase of the French-owned Damas-Hama et Prolongement Railway Company last year.

UNCLASSIFIED

0202

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

UNCLASSIFIED

Page 13
Despatch 66
From Beirut

The recently-completed elections are believed by most observers to indicate that Lebanon has matured enough to withstand the rigors of an election campaign without undue dislocation of the economy. The caretaker Daouk Cabinet is credited with performing its task admirably, and President Fuad Chehab continues to enjoy widespread support and even affection from the overwhelming majority of the Lebanese people. The Government is proud of the thriving Lebanese economy, and despite the continuing unhealthy reliance of Lebanon on trade and services, the economy is likely to continue to prosper for the foreseeable future.

Robert C. Creel

Robert C. Creel
Charge d'Affaires, a.i.

Enclosure: *1/4*

Lebanon - Economic Indicators

Contributors:

Section VIII, Aviation - JHennis
Section IX, Petroleum Affairs - CJDwyer

cc: Amembassies AMMAN, ANKARA, BAGHDAD, CAIRO, JIDDA, LONDON, PARIS, TEL AVIV,
TRIPOLI; Amconsen ALEPPO, DAMASCUS, DHAHRAN; Amconsulates ADEN, KUWAIT.

UNCLASSIFIED

0203

DECLASSIFIED
Authority *NND 949569*
By *PT* NARA Date *7/23/04*

UNCLASSIFIED

Page 1
Enclosure 1
Despatch 66
From Beirut

LEBANON - ECONOMIC INDICATORS

Fourth Quarter 1959, First and Second Quarters 1960

<u>Indicator</u>	<u>Unit</u>	<u>4th Quarter</u>	<u>1st Quarter</u>	<u>2nd Quarter</u>
Customs receipts	Mill. L.L.	27.0	25.2	28.6
Currency issue	"	400.0	400.0	416.0
Demand Deposits (Average)	"	766.0	-	-
Time deposits "	"	72.0	-	-
Loans and discounts "	"	725.0	-	-
Bank clearings "	"	572.0	568	549
New incorporations	Number	47	12	19
Cost of living index	1939=100	514	-	-
Wholesale price index	1950=100	104	-	-
Cement production	Metric tons	223,438	-	-
Building permits	Number	290	-	-
Beirut Port movement				
Freight unloaded	Metric tons	355,626	389,078	327,392
Freight loaded	Metric tons	92,119	86,390	65,043
Total transit trade movement	Metric tons	97,429	88,807	75,701
Aircraft passenger movement (excluding transients)				
Arrivals	Number	50,808	45,990	-
Departures	"	61,777	46,784	-
New vehicle registration				
Passenger cars	"	1,211	2,236	2,446
Trucks	"	117	131	131
Buses	"	38	11	21

~~UNCLASSIFIED~~

UNCLASSIFIED

0204

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

Air Pouch
PRIORITY

OFFICIAL USE ONLY
(Security Classification)

DO NOT TYPE IN THIS SPACE

FOREIGN SERVICE DESPATCH

883a.00/8460

FROM : Amembassy BEIRUT

71
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

August 4, 1960

REF : CERP, Section C, Item 1; Embdesp. 47, July 21, 1960

AUG 5 1960

67 For Dept. Use Only	ACTION	DEPT.
	REC'D	OTHER
	8/8	1 RE-10 1CA-11 E-7 NEA-4 EUR-5 CIA-16 11512-10012-2 050-2 ARMY-35 NAVY-30 AB-8 IN-7 TR-3 FRB-3 NMB-4 TARD CRB-6 FRA-5 LAB-6

SUBJECT: Biweekly Economic Review No. 22 - Lebanon - Period Ending August 4, 1960

Contents

Note

- I. OFFICIAL USE ONLY - Highlights
- II. UNCLASSIFIED - Government Policy: Import Licensing System May Be Simplified
- III. UNCLASSIFIED - Government Policy: Price Controls Introduced and Planned (See BER 13).
- IV. UNCLASSIFIED - Government Policy: U.S. Company Prepares To Fight Boycott Charges (See BER 21)
- V. UNCLASSIFIED - Industry: Reprieve Granted in Textile Crisis (See BER 21)
- VI. UNCLASSIFIED - Economic Development: IBRD Inspection Results in Litani Changes (See BER 21)
- VII. UNCLASSIFIED - Domestic Business: Automobile Registrations Reach Record High
- VIII. UNCLASSIFIED - Foreign Economic Relations: Protocol to the Czech-Lebanese Trade and Payments Agreement
- IX. UNCLASSIFIED - Aviation: Lebanese - Pakistani Air Talks Suspended

883A.00/8-460

LCThany/bmb
8/4/60

OFFICIAL USE ONLY

REPORTER

ACTION COPY - DEPARTMENT OF STATE

The action office must return this permanent record copy to RM/R files with an endorsement of action taken.

FILED
AUG 22 1960

0205

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

OFFICIAL USE ONLY

Page 2 of 8
Desp. No
From BEIRUT

NOTE:

In the absence of two Economic Officers and the Labor Attache, and under an unusually heavy pressure of daily services to U.S. business, the Biweekly Economic Review will be submitted in a streamlined and abbreviated form until further notice. The editorial policy will be to report and analyze concisely items indicating trends and developments not suitable or not as yet ready for treatment in other media of official communication with the Department.

* * *

I. OFFICIAL USE ONLY - Highlights

Worrisome domestic and international events of the past fortnight caused a slight flurry in Lebanese business circles, without, however, reversing or altering basic economic trends. The volatile stock exchange reacted somewhat nervously to the presidential crisis of July 20 and there was a drop of activity in wholesale trade, probably for the same reason. It is privately claimed that, had President Chehab not withdrawn his resignation, twenty million Lebanese pounds would have left the country the next morning for Swiss and other safehavens. The long parturition process of the new cabinet, the smoldering textile crisis, as well as events in the Congo and Cuba, produced a temporary atmosphere of uncertainty in which economic activity hesitated and procrastinated in the face of new ventures. By the first days of August, however, in spite of continued indecision in the textile situation, trading and investing had returned to normal and the economic boom continued unabated. The Chief of State, who maintains a genuine interest in economic development and reform, seems to be emerging as a sort of economic arbiter to whom both management and labor are willing to submit their problems with confidence and respect. If the new 18-member Salam cabinet proves successful in satisfying, by its sheer size, confessional demands and personal ambitions, there will be no basic domestic political reason to fear for the continued prosperity of Lebanon in spite of certain inflationary manifestations.

OFFICIAL USE ONLY

0206

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

OFFICIAL USE ONLY

Page 3 of 8
Desp. No.
From BEIRUT

II. UNCLASSIFIED - Government Policy: Import Licensing System May Be Simplified

The Bureau of Foreign Commerce of the Ministry of National Economy has submitted a preliminary report embodying the recommendations of a committee which has been considering the possibility of abolishing the import licensing system. The preliminary report recommends that certain commodities for which import licenses are now necessary (canned fruit, oil, leather goods, ladies' dresses, silk and furniture) be allowed to come in the country without a preliminary license; that duties be raised on commodities which may be removed from the import license list; and that the import license requirement be maintained for other commodities, such as cereals and industrial machinery. A further recommendation has been made to the effect that, in the case of commodities remaining on the import license list, licenses to importers should be issued on a quota basis in accordance with "seniority."

UNCLASSIFIED: Comment

There are approximately 30 commodities on the import license list at the present time, with glass and certain glass products having just been added last week. If the majority of these items are removed from the list, practically all import restrictions will have been lifted, with the exception of a few designed to control the necessary foreign supplies of foodstuffs and to protect Lebanese industry. The distribution of import licenses in the past has been a subject of many complaints; hence the committee's recommendation that licenses for commodities retained on the list be distributed according to "seniority" (length of experience in the trade) rather than on the basis of favoritism).

III. UNCLASSIFIED - Government Policy: Price Controls Introduced and Planned (See BER 13).

On July 28 the retail sales price of all imported pharmaceuticals was forced down by about 20 percent by virtue of a decree which has as its basis the principle that no imported drug should be sold at an unreasonably higher price than its retail sales price in the country of origin. In the case of pharmaceuticals imported from the United States, a unit which sells for one dollar at home,

OFFICIAL USE ONLY

0207

DECLASSIFIED
Authority NND 949569
By ☒ NARA Date 7/23/04

OFFICIAL USE ONLY

Page 4 of 8
Desp. No. 71
From BEIRUT

cannot be sold for more than LL 4.02 in Lebanon (\$1 = 3.1685). A commission is now working on a system of "official prices," which, if introduced, will affect bread, meat, school books and other products of mass consumption.

Comment:

The price controls introduced and planned show the Government's concern with profiteering and with the continued rise in the cost of living. Rents have risen considerably during the past 12 months; food prices are climbing; and money in circulation has increased from 400 to 422 million pounds since last spring.

IV. UNCLASSIFIED - Government Policy: U.S. Company Prepares To Fight Boycott Charges (See BER 21)

A three-member factfinding mission, headed by Walter Waugh, President of Firestone International, will arrive in Beirut on August 5 to look into the charges brought against that Company at the recent Tripoli, Libya, meeting of the Arab Boycott Liaison Officers. From Beirut the mission plans to proceed to Damascus in the hope of direct conversations with the Central Boycott Office staff.

OFFICIAL USE ONLY: Comment

Information available to the Embassy indicates that charges made against Firestone at Tripoli are as follows: Influencing the Liberian vote at the UN, 1947 in favor of the partition of Palestine, as described in the Forrestal Diaries, page 346 and in a book entitled "What Price Israel" by David Lilienthal; and contributing \$25,000 to the United Jewish Appeal 1952 - 53. The Firestone representative in Beirut states that, to the best of his knowledge, these charges do not correspond to the true facts. The Embassy is following developments closely.

V. UNCLASSIFIED - Industry - Reprieve Granted in Textile Crisis (See BER 21)

The threat of the textile manufacturers to close down their factories and discharge 7,000 workers on August 1st, unless the Government bows to their demands to raise by 50 percent the duty on imported textiles and to prohibit all such imports for one year, has failed to materialize.

OFFICIAL USE ONLY

0208

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

OFFICIAL USE ONLY

Page 5 of 8
Desp. No. 71
From BEIRUT

The threat, however, has not been removed, because the industrialists insist that they will proceed with their plan of closing down plants and discharging workers, on August 4th instead of August 1st, in the absence of Government action by that later date. Both Government and labor appear to be caught between the textile manufacturers and the textile importers, the latter of whom have also threatened to discharge their workers if the Government accedes to the industrialists' demand.

Comment:

Negotiations aimed at a compromise have been carried on during the past week between the industrialists and the merchants, with the encouragement of Government and labor. The crisis is symptomatic of the traditional Lebanese clash of interest between industrialists and merchants. The merchants are now suggesting that the industrialists keep their factories open and receive an export subsidy from a special fund to be financed from the LL 3 million total accruing from the increase in customs duties on imported textiles in 1959. Some of the industrialists do not seem to be averse to this solution of the problem. Labor has adopted a policy of watchful waiting until action is taken by the industrialists.

VI. UNCLASSIFIED - Economic Development - IBRD Inspection Results in Litani Changes (See BER 21)

In the course of its visit to Beirut (July 20 - 30), the IBRD team established that present progress of the Litani project is not satisfactory. Detailed discussions were held with the National Litani Office (NLO) regarding corrective measures. One such basic measure is the agreement to engage a team of international construction engineers to manage the project, make all technical decisions, and supervise the construction. An NLO mission is scheduled to visit the IBRD in Washington on August 8 in order to obtain a list of approved firms for the proposed Construction Management Team (CMT). Another factor brought to light during the IBRD team visit was that any shift of emphasis of the Litani Project toward irrigation and drinking water to the detriment of power generating must have the Bank's prior approval.

OFFICIAL USE ONLY

0209

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

OFFICIAL USE ONLY

Page 6 of 8
Desp. No. 71
From BEIRUT

OFFICIAL USE ONLY: Comment

The decision to engage a Construction Management Team resulted from widespread dissatisfaction with the present architect engineers of the project (Group Francais du Litani). The GFL has not furnished experienced engineers and construction personnel for the project and has not produced firm designs to keep pace with construction. It is proposed that the CMT take over all construction supervision and be empowered to obtain designs from other sources, should the GFL fail to provide them. This places the GFL in the position of making only routine designs and planning studies. While emphasizing that the GMT should be of an international character, the NLO has unofficially stated that it would prefer the services of a U.S. engineering firm. The proposed use of a CMT closely parallels a previous recommendation made by USOM/L here.

VII. UNCLASSIFIED - Domestic Business - Automobile Registrations Reach Record High

During the first six months of 1960, 5,350 vehicles have been registered in Lebanon. This figure is only 961 units less than the number of all automobiles, trucks, motorcycles and motorscooters registered during the twelve months of 1959. According to statistics issued by the Automobile Service Department of the Ministry of Interior, the total number of vehicles in circulation, as of June 30, 1960, was 54,772 as compared with 49,422 on December 31, 1959.

Comment:

The figures given above are indicative of continued high urban prosperity. It is to be taken into consideration, however, that most automobile sales in Lebanon take place during the first half of the year. Consequently, it is not to be expected that automobile sales and registrations in 1960 will be double the 1959 figure. It seems likely, nevertheless, that as many as approximately 7,500 vehicles will be sold and registered during 1960, a considerable increase over the 1959 total.

VIII. UNCLASSIFIED - Foreign Economic Relations - Protocol to the Czech-Lebanese Trade and Payments Agreement

Last week the Government released the text of the Protocol to the 1957 Trade and Payments Agreement with Czechoslovakia which was signed in Prague on April 25 of this year. Under the terms of the Protocol, the volume of trade in each direction has been raised from \$1.2 million to \$3.9 million and the balance of payments

OFFICIAL USE ONLY

0210

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

OFFICIAL USE ONLY

Page 7 of 8
Desp. No. 71
From BEIRUT

of trade in each direction has been raised from LL 8 million to LL 9 million and the lists of commodities expected to be exported from each country have been revised. The quantity of Lebanese citrus products which Czechoslovakia agrees to purchase annually (7,000 metric tons) has not be changed, but in a letter annexed to the Protocol, the latter states that it will give favorable consideration to the importation of an additional quantity of 500 tons during the "next season."

OFFICIAL USE ONLY: Comment

As in the case of most of the Lebanese trade agreements with Soviet Bloc countries, the present Protocol represents largely a statement of good intentions. In 1959 the actual level of trade with Czechoslovakia consisted of Lebanese imports valued at LL 8.4 million and Lebanese exports valued at LL 0.45 million, including 1,335 metric tons of citrus fruit. On paper at least, the Protocol seems to represent a gain for Lebanon, particularly in view of the fact that under the new provision cited above, Czechoslovakia should purchase more goods of Lebanon origin and less third country merchandise from the Beirut free zone.

IX. UNCLASSIFIED - Aviation - Lebanese - Pakistani Air Talks Suspended

The Lebanese Directorate of Civil Aviation announced August 3 its inability to agree with the Pakistani delegation which arrived in Beirut July 20 to negotiate a bilateral air agreement. Negotiations have been suspended "indefinitely." Existing air services between the two countries, which rest on informal understandings of the past, will continue for the balance of the year. The Pakistani delegation, headed by the Pakistani Ambassador to Lebanon, is reported to have requested an increase in PIA weekly flights to Beirut from two to three and far beyond rights Beirut to Rome and Geneva.

Comment:

The Lebanese would understandably deny both requests, since Pakistan International Airlines operates a Constellation

OFFICIAL USE ONLY

0211
DECLASSIFIED
Authority NND 949569
By ☒ NARA Date 7/23/04

OFFICIAL USE ONLY

Page 8 of 8
Desp. No. 71
From BEIRUT

and a Boeing 707 on its weekly flights to Beirut in competition with MEA's Viscounts. Granting PIA beyond rights to Rome and Geneva would place MEA at a still greater disadvantage.

Robert C. Creel
Robert C. Creel
Charge d'Affaires, a.i.

Contributors:

OHFolsom
CBCook
JHEnnis

Copies sent: Amembassies Amman, Ankara, Baghdad, Cairo,
Jidda, London, Paris, Tel Aviv, Tripoli;
Amconsgen Aleppo, Damascus, Dhahran;
Amcons Aden, Kuwait

OFFICIAL USE ONLY

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

Air Pouch
PRIORITY

OFFICIAL USE ONLY

(Security Classification)

FOREIGN SERVICE DESPATCH

106

DESP. NO.

AUG 19 1960

August 18, 1960

DATE

FROM : Amembassy BEIRUT

TO : THE DEPARTMENT OF STATE, WASHINGTON.

REF : CERP, Section C, Item 1; Embdesp. 71, August 4, 1960

15 For Dept. Use Only	ACTION NEA-4 REC'D 8/22	DEPT. IN RM/R-2 REP-1 IRC-10 ICA-11 U/MS-1 E-7 EUR-5 F OTHER OCB-2 NSA-4 COM-12 TR-3 FRB-3 XMB-4 O USIA-10 OSD-2 ARMY-35 NAVY-20 AIR-30 CIA-16
-----------------------------	----------------------------------	---

SUBJECT: Biweekly Economic Review No. 23 - Lebanon - Period Ending August 18, 1960

AG-10 TAR-2 LAB-6 FAA-5
IN-7 CAB-6

Contents

Note

- I. OFFICIAL USE ONLY - General Trends
- II. UNCLASSIFIED - Foreign Trade and Economic Relations: Inter-Arab Transit Agreement Criticized (see BER 20).
- III. UNCLASSIFIED - Industry: Further Reprieve Granted in Textile Crisis, (See BER 22).
- IV. UNCLASSIFIED - Foreign Aid: Press Reports Russian Orthodox Church Donating Equipment to Greek Orthodox Hospital in Beirut.
- V. UNCLASSIFIED - Agriculture: Food Prices Continue to Rise
- VI. UNCLASSIFIED - Aviation: New Hydrant-Pipeline Fuel System Proposed for Beirut Airport
- VII. UNCLASSIFIED - Labor: 370 Airport Construction Workers Laid-Off.
- VIII. UNCLASSIFIED - Tourism: IATA Disapproves Reduction in Air Fares for Lebanese Congress of Emigres.

385A.00/8-1860

BYVACH
CORRECTION REQUIRED
11/15

1960 AUG 23 PM 3 21

RECEIVED
11/15

OFFICIAL USE ONLY

REPORTER

ACTION COPY - DEPARTMENT OF STATE

The action office must return this permanent record copy to RM/R files with an endorsement of action taken.

DECLASSIFIED

Authority NND 949569

By PT NARA Date 7/23/04

OFFICIAL USE ONLY

Page 2 of 6
Desp. No. 106
From BEIRUT

NOTE:

In the absence of two Economic Officers and the Labor Attache, and under an unusually heavy pressure of daily services to U.S. business, the bi-weekly economic Review will be submitted in a streamlined and abbreviated form until further notice. The editorial policy will be to report and analyze concisely items indicating trends and developments not suitable or not as yet ready for treatment in other media of official communication with the Department.

I. OFFICIAL USE ONLY - General Trends

Economic activity has been proceeding at a pace somewhat slower than usual during the past two weeks. The summer heat, the absence of many Beirutians from the city on mountain vacations, the influx of overseas Lebanese and other visitors, the prolonged textile crisis, and possibly the brief political tempest over the Prime Minister's alleged statements to a Cairo newspaper may all have contributed to the process of deceleration. During the first week of August the volume of transactions on the stock exchange dropped to L.L. 818,500 from the L.L. 1,021,000 of the previous week. Money has become somewhat tight and there is a marked tendency of hesitation in business. The money market is weak, probably as a result of a large offer of foreign currencies by overseas visitors, combined with a low local demand. The U.S. dollar continues at its low free exchange rate between L.L. 3.16-7/8 and 3.16-3/8. There has been no further increase in fiduciary circulation (L.L. 422 million), but food prices continue to rise. In contrast with the general lassitude of business in the city, port activity is at a new high: loadings and unloadings during the first seven months of 1960 stand at 1,004,942 metric tons as compared to 915,653 metric tons for the corresponding period of 1959.

II. UNCLASSIFIED - Foreign Trade and Economic Relations: Inter-Arab Transit Agreement Criticized (see BER 20).

The four-nation transit agreement (Lebanon, Jordan, Saudi Arabia and UAR) went into effect on August first. Rail and truck movement of goods, mostly out of Lebanon, has been in progress for 18 days, but already many complaints are heard, especially from truckers.

UNCLASSIFIED: Comment

The Transit Agreement was expected to restore at least some of the transit trade lost since 1958. Because Iraq and Kuwait have not yet adhered,

OFFICIAL USE ONLY

0214

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

OFFICIAL USE ONLY

Page 3 of 6
Desp. No. 106
From BEIRUT

no large-scale, long-haul transit increase has taken place. Truckers especially are dissatisfied owing to (a) strong competition offered by reduced rail freight rates (one ton from Beirut to Amman now costs \$7.90 by rail and \$7.00 to \$8.50 by truck; rail freight rates for this haul for one ton used to be \$14.25); (b) the Agreement allows Lebanese trucks only 22% of the transit traffic as compared to 40% for Syrian and 38% for Jordanian trucks; (c) Syrian and Jordanian trucks come and go loaded; Lebanese trucks go loaded and return empty; (d) the cost of trucking license plates in Lebanon is astronomically high (L.L. 25,000) as compared to the price of similar Syrian and Jordanian tags. In order to remove the main and general reason for dissatisfaction with the Transit Agreement, the Lebanese Government is understood to be urging Iraq through diplomatic channels to adhere to it.

III. UNCLASSIFIED - Industry: Further Reprieve Granted in Textile Crisis,
(See BER 22).

The threatened shut-down of the textile plants on August 4 was narrowly averted by an agreement between the government and the industrialists. Under the terms of this agreement the government gave written guarantee to provide "efficacious protection" for the textile industry by September 30, in return for which the Arida plant agreed to take back the 200 workers it had already discharged and to employ its entire labor force until the expiration of the deadline on September 30. The textile workers' union, which had declared a strike as a result of the Arida lay-off of the 200 workers, also consented to send its men back to work until September 30. On August 6 the government quickly and informally appointed a four-member committee plus two experts to submit a solution to the Cabinet for the textile problem before September 15.

OFFICIAL USE ONLY:-- Comment

One member of the new problem-solving committee states that reconciling the many clashing interests in the textile crisis, without abandoning the traditional non-interventionist policies of the Government, will be an extremely difficult task. The Merchants' Association remains adamant in its opposition to a protectionist tariff. According to an unconfirmed report, the government is considering establishing minimum specifications for manufactured products enjoying tariff protection. One member of the Arida family states that the industrialists feel they have scored a significant victory in view of the government's "unprecedented written guarantee" and that, if the guarantee is not carried out, the plants will shut down on September 30.

OFFICIAL USE ONLY

0215

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

OFFICIAL USE ONLY

Page 4 of 6
Despatch No. 106
From BEIRUT

IV. UNCLASSIFIED - Foreign Aid: Press Reports Russian Orthodox Church Donating Equipment to Greek Orthodox Hospital in Beirut.

Two leading Beirut papers reported last week that the Russian Orthodox Church has granted medical equipment valued at LL 7 million to St. George's (Greek Orthodox) hospital in Beirut. Al Hayat reported that the grant would include an artificial lung, oxygen equipment for all patients' rooms, and certain surgical equipment to be used in connection with heart operations.

OFFICIAL USE ONLY: Comment

The press reports have some basis in fact. A member of the Greek Orthodox Committee for St. George's Hospital has informed the Embassy that a long list of desired equipment was forwarded to the Russian Orthodox Patriarch Alexei sometime ago, with the idea that the Patriarch would then select items which the Russian Church might wish to donate. The committee member said that when the Greek Orthodox Archbishop of Beirut, Elia Salibi, visited Moscow last spring, the Patriarch informed him that the Church had decided to grant the entire list. This unexpected development has put the local Orthodox community in a quandary since the present hospital facilities are not adequate to house as much new equipment. The committee member reported that the community must now raise approximately LL 1 million, in addition to current resources, to cover the cost of necessary alterations and new construction. He indicated that the equipment would probably not be shipped until the proposed expansion has been realized.

While reliable information as to the exact nature of the equipment to be granted is still sketchy, it is understood that it will include sufficient material to equip eight operating rooms, and, among other items, a cobalt unit and radiolotopes for teletherapeutic treatment. A presumably reliable source estimates the value of the equipment at closer to LL 4,000,000.

V. UNCLASSIFIED - Agriculture: Food Prices Continue to Rise

During the first week of August the price of vegetables rose to the highest level yet attained. On August 7 1 kilogram of green beans sold for 75 piasters (= \$0.24); of tomatoes, for 40-50 piasters (\$0.13-0.16); of peas, for 60 piasters (= \$0.19). Meat and poultry prices are also moving upward. On August 7 one kilogram of beef cost 350-440 piasters (= \$1.10-1.40); of pork, 500 piasters (= \$1.60); of mutton, 450-500 piasters (= \$1.42-1.60); of chicken (live), 250-300 piasters (= \$0.80-0.95). Cereals are also rising; olives, olive oil and apples are expected to go up.

OFFICIAL USE ONLY

0216

DECLASSIFIED
Authority NND 949569
By ☒ NARA Date 7/23/04

OFFICIAL USE ONLY

Page 5 of 6
Desp. No. 106
From BEIRUT

UNCLASSIFIED: Comment

The higher food prices are due to the variety of factors. In the case of the vegetables, the poor harvests of the past three years are mainly responsible, along with a lack of price controls. Another factor which is now producing an upward trend as far as lentils, beans and chick peas are concerned was the expiration, on August 14, of the duty exemptions granted to imported vegetables. Meat prices are rising and will probably rise higher because of shortages and because the government has reduced the quota of Iraqi imported mutton from 25,000 to 12,000 head.

VI. UNCLASSIFIED - Aviation: New Hydrant-Pipeline Fuel System Proposed for Beirut Airport

The five oil companies serving the Beirut Airport (Mobile, Esso, Shell-BP, Caltex and CFP) who, after ten months' work and considerable expense have nearly completed the installation of a hydrant-pipeline system called for by GOL plans, learned last week that the Government has now decided upon a new and basically different hydrant-pipeline layout suggested by a Swiss firm.

OFFICIAL USE ONLY: Comment

The oil companies estimate that, apart from the delays involved, altering the system to fit the newer plans would add some \$600,000 to their costs. Accordingly, company representatives proceeded en bloc last week to the office of the Director-General of Civil Aviation to protest the implication that construction entailed by the revised plans should be at their expense. Following a three-hour conference, the Director General stated that he would announce his decision shortly. Company representatives are hopeful that he will permit them to complete work under the old plan with only minor alterations in the remaining installations.

VII. UNCLASSIFIED - Labor: 370 Airport Construction Workers Laid-Off.

Some 370 employees of the Ministry of Communications & Public Works engaged in enlarging and improving facilities at the Beirut Airport were laid-off effective August 1. The Ministry followed its action with a public announcement explaining that the airport construction equipment it has been using uninterruptedly for three years is in need of complete overhaul. Not less than two months will be required for equipment repair and the Ministry, according to its statement, does not regard the payment of wages totaling L.L. 70,000 monthly as justified during this period. The Ministry also hinted that only a portion of the workers would be rehired when work is resumed.

OFFICIAL USE ONLY

0217

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

OFFICIAL USE ONLY

Page 6 of 6
Desp. No. 106
From BEIRUT

OFFICIAL USE ONLY: Comment

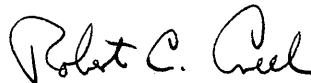
The lay-offs, which, in terms of the project schedules logically should have occurred several months ago, are understood to have awaited the conclusion of the Lebanese elections.

VIII. UNCLASSIFIED - Tourism: IATA Disapproves Reduction in Air Fares for Lebanese Congress of Emigres.

According to local press reports, the International Air Transport Association (IATA) has denied a GOL request for a 25% reduction in air fare rates for Lebanese attending the Congress of Lebanese Emigres, September 15 to October 31, 1960.

OFFICIAL USE ONLY: Comment

The Lebanese request was unrealistic both in seeking a major reduction in fares during the peak of the tourist season and in asking that the reduced rate should apply to any individual, anywhere, presenting a certificate from a Lebanese consul attesting to his "Lebanese origin."



Robert C. Creel
Charge d'Affaires, a.i.

Contributors:

J. H. Ennis
C. B. Cook

Copies sent to: Amembassies Amman, Ankara, Baghdad, Cairo, Jidda, London, Paris, Tel Aviv, Tripoli; Amcons Gen Aleppo, Damascus, Dhahran; Amcons Aden, Kuwait

OFFICIAL USE ONLY

0218

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

AIR POUCH

OFFICIAL USE ONLY
(Security Classification)

DO NOT TYPE IN THIS SPACE

FOREIGN SERVICE DESPATCH

FROM : **Amembassy BEIRUT**

111
DESP. NO.

TO : **THE DEPARTMENT OF STATE, WASHINGTON.**

August 19, 1960

REF : **CERP, Section D-II-A-1, 2; D-IV-A-3, 4, 5; Embdesp. 591, April 6, 1960.**

For Dept. Use Only	ACTION	DEPT.
	REC'D	OTHER
	8/29	111-7E-7/CA-11 REP-1
		111-10 111-10 111-10 111-10 111-10 111-10 111-10 111-10 111-10 111-10

SUBJECT: **Transmission of Reports on Domestic Economic Conditions and the Role of Foreign Aid in Lebanon, together with Revised Data on Lebanon's Gross National Product and Balance of Payments Situation.**

In order to insure distribution to all interested agencies the Embassy transmits as enclosures to this despatch certain material prepared by the Embassy for incorporation in the USOM/L's Country Program Book submission for FY 1962. The Country Program Book was forwarded to ICA/W by air pouch on August 5.

Enclosure 1 is a condensed economic forecast for Lebanon covering roughly the period through the end of 1962. The forecast is based on the Embassy's annual economic assessment for Lebanon, submitted to the Department by the referenced despatch, with some slight changes in emphasis as the result of trends and developments during the intervening period. Enclosure 2 is a brief summary of the present and prospective role of external assistance in the Lebanese economy. The conclusion is drawn that for the foreseeable future, economic assistance from other nations will probably not play a predominant role in the Lebanese economy, and that assuming a continuation of Lebanon's present prosperity, a major increase in such assistance would be difficult to justify on an economic basis.

Enclosure 3 is a tabular form, with appropriate notes, giving figures for Lebanon's Gross National Product at market prices for the period 1958 through 1962. The GNP figures for 1958 and 1959 have been revised taking into consideration the new national income estimates of Dr. A.Y. Badre, American University of Beirut, which were submitted to the Department as enclosure 1 to the referenced despatch. Provisional GNP estimates have been made for 1960 and projections for 1961-62 using the revised 1959 figures as a point of departure. It is noted that while the national income estimates were prepared in terms of constant prices relative to the year 1954, the constant price section of the new GNP table has been based on the price level obtained in 1959. It should also be pointed out that while an attempt has been made to maintain consistent and relatively accurate yearly relationships in the various series, lack of basic data in this field precludes independent revision of GNP figures. Consequently, the figures given do not represent accurate absolutes, even for the previous years.

Enclosure 4 gives current balance of payments estimates for Lebanon, in summary form, for the calendar years 1958 through 1962. These estimates are based on the work of Mr. Khalil Salem, FSI Economic Analyst, who has reviewed and revised where indicated the preliminary balance of payments estimates for

Handwritten notes and stamps:
CBC Cook: 12
12 PM 4-12-60
Room 4820
The action office must return this permanent record copy to DC/R files with an endorsement of action taken.

OFFICIAL USE ONLY

MESSAGE CENTER CONTROL

SEP 13 1960

ACTION COPY — DEPARTMENT OF STATE

DECLASSIFIED

Authority **NND 949569**

By **ET** NARA Date **7/23/04**

0219

883A.00/8-1960

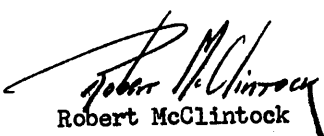
CAA

MESSAGE CENTER

OFFICIAL USE ONLY
(Classification)

Page 2 of
Encl. No. _____
Desp. No. 111
From Beirut

1958 (submitted to the Department under cover of Embassy despatch 155 of September 6, 1958) and is preparing estimates for 1959. Since Mr. Salem's detailed study of Lebanon's balance of payment situation at the close of these two years will be the subject of shortly forthcoming despatches, no analysis is undertaken here, apart from the explanatory notes attached to the table. The figures given for 1960-1962 are projected using 1959 as a base; in the case of the 1960 entries, available relevant indicators were utilized where possible. It is stressed that the figures for 1959 are not to be considered as final estimates since, for many payment items, direct statistical data or other necessary information is not yet available.


Robert McClintock

Enclosures:

- 1) Economic Forecast, 1960-1962, 7/27/60.
- 2) The Role of External Assistance, 7/27/60.
- 3) Gross National Product at Market Prices, 1958-1962, 7/22/60.
- 4) Balance of Payments Estimates, 1958-1962, 7/27/60.

OFFICIAL USE ONLY

0220

DECLASSIFIED
Authority NNN 949569
By PT NARA Date 7/23/04

OFFICIAL USE ONLY
(Classification)

Page 1 of
Encl. No. 1
Desp. No. 111
From Beirut

COUNTRY ECONOMIC PROGRAM - LEBANON. Part I-C - Economic Forecast, July 27, 1960

The present economic forecast for Lebanon remains basically unchanged from that contained in last year's submission. Despite the country's small size, lack of natural resources and paucity of viable industry, its people have been able to develop a thriving and prosperous economy dependent largely upon transit trade, tourism, and associated services. Successfully capitalizing on its port, favorable climate and geographical location, independent Lebanon has maintained the historic role of its predecessors as the trade and market center for much of the Middle East.

Lebanon's visible trade deficit, which now runs over 200 million dollars per year with the value of imports amounting to roughly five times the value of exports, will probably increase in the coming years despite an anticipated small but steady rise in exports predicated largely on an upward trending production of citrus fruits and apples and on stepped-up private and government investment in new grading and packing plants. As in the past, this deficit will probably be almost entirely overcome during the next two years by earnings from tourism, emigrant remittances and transit trade services, and by an expected steady though slightly reduced inflow of private capital, especially oil money from other Arab states. The latter in particular has contributed to the current construction boom and is a principle factor in the probable absence of any serious balance of payments problem during the next years.

The gross national product will continue to increase by an estimated 3% per year; the per-capita GNP is also expected to continue to rise, but at the slower rate of roughly 1½% per year. Although there are indications that the rate of increase in private investment may slow down somewhat as a result of a decreasing rate in the inflow of oil money, the Government has recently evidenced a determination to close the gap with Government investment in large-scale development projects.

There is widespread agreement that the industrial and agricultural sectors of the Lebanese economy must be strengthened and developed to lessen Lebanon's present unhealthy dependence on the neighboring Arab states and their violent political and economic fluctuations. Tourism has enormous potential in Lebanon, and recent efforts by both private individuals and agencies and by the Government itself should ensure a continuing rise in tourist revenues over the next several years. Lebanon has long been the traditional summer resort for thousands of hinterland Arabs. One obstacle to the further development of tourism is the unpredictable attitude of other Arab governments toward carrying out the provisions of economic agreements affecting the foreign travel of their nationals.

Development in the fields of tourism, agriculture, and industry is certainly necessary, particularly since the governments of the UAR and Jordan are likely to continue their development of the ports of Latakia and Aqaba, respectively, thereby lessening those countries' dependence upon the port of Beirut. It is also clear that the new investment required in the above fields will probably have to come, in large part, from Lebanon's own resources rather than from

OFFICIAL USE ONLY

0221

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

OFFICIAL USE ONLY
(Classification)

Page 2 of
Encl. No. 1
Desp. No. 111
From Beirut

foreign capital. The present dependence on foreign capital, subject as it is to factors beyond the control of Lebanon, is undoubtedly dangerous. As the Government begins to tackle these problems, it is likely that it will request U.S. technical assistance (and probably economic as well) in furthering its development schemes, and an affirmative response, geared to the realities of need, would appear to be in the interests of the United States.

Western technology in both the private and public sectors will be extremely valuable to Lebanon during the coming years; at the same time, since an increasing amount of Government activity and controls could cause disruptions in Lebanon's traditionally laissez-faire economic system, it would also appear to be in the U.S. interest to assist Lebanon in implementing social reforms which would have a minimum adverse effect on its continued economic growth and prosperity. An increasing demand for such social reforms is already being heard, and early American identification with well-conceived reforms would certainly be to our long-range advantage.

OFFICIAL USE ONLY

0222

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

OFFICIAL USE ONLY

(Classification)

Page 1 of
Encl. No. 2
Desp. No. 111
From From Beirut

July 27, 1960

COUNTRY ECONOMIC PROGRAM - LEBANON. Part I-D-The Role of External Assistance

As stated in Section C, Lebanon must come to depend more and more on its own resources for economic development, as external assistance for the next few years will probably be largely limited to technical assistance of various kinds. Assuming a continuation of present Lebanese policies, Soviet Bloc aid is expected to remain negligible. Although French experts, both governmental and private, are frequently called upon for advice and assistance by the Lebanese Government, it is believed that French contributions in the form of either cash or equipment will continue at a minor level. No other countries are expected to play substantial parts in providing external assistance to Lebanon. United Nations assistance, largely through UNRWA, is likely to decrease slightly during the coming years although it will still represent a not insignificant contribution to the Lebanese economy. (For 1959, UNRWA's net local expenditures in Lebanon are estimated at roughly \$6.2 million.)

Lebanon may also look forward to receiving some \$19 million over the next few years from the IBRD, this sum representing the undistributed portion of the loan granted in 1956 towards the development of the Litani River basin.

In short, external assistance for the foreseeable future will probably not play a predominate role in the Lebanese economy, and as long as Lebanon's present prosperity continues, a major increase in such assistance would be economically difficult to justify. At the same time, continued financial assistance to Lebanese educational institutions such as the American University of Beirut, and modest amounts of military assistance for the Lebanese Army and Security Forces would appear to be clearly in the U.S. interest.

Lebanon will probably continue to seek financing for certain economic development projects from Western lending institutions, both governmental and private. Given the present agricultural situation in Lebanon and the possibility of recurring drought years, further Lebanese requests for surplus agricultural commodities under the terms of PL-480, Title II, may also be anticipated during the years ahead.

OFFICIAL USE ONLY

0223

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

RETURN TO OFD/FN - BE. BYRON

NEP

Enclosure 3 to Despatch 111 dated August 19, 1960.

C-1	FORM ICA 10-103 (6-59)	DATE PREPARED July 22, 1960	☒ ORIGINAL ☐ REVISION NO.	SECURITY CLASSIFICATION OFFICIAL USE ONLY	COOPERATING COUNTRY LEBANON	SETTING FOR U.S. PROGRAMS	C-1
				COUNTRY ECONOMIC PROGRAM	GROSS NATIONAL PRODUCT		

1	ALL FIGURES IN \$1,000,000 EXCHANGE RATE \$1= LL3.17	(A) CURRENT PRICES			(B) CONSTANT PRICES (Based On Price Level Of Year In Column 2)								
		Actual		Estimated	Actual		Estimated	Projected		Additional Projections			
		(1) CY 1958	(2) CY 1959	(3) CY 1960	(1) CY 1958	(2) CY 1959	(3) CY 1960	(4) CY 1961	(5) CY 1962	(6) CY	(7) CY	(8) CY	(9) CY
A. GROSS NATIONAL PRODUCT (at market prices)		485	595	627	498	595	613	636	654				
Per Capita GNP (\$)		323	389	402	332	389	393	400	403				
B. NET FOREIGN BALANCE Inflow (+), Outflow (-)		66	89	87	66	89	87	88	89				
TOTAL AVAILABLE RESOURCES		551	684	714	565	684	698	720	737				
C. TOTAL CONSUMPTION		490	583	603	502	583	590	604	617				
1. Private		433	526	542	444	526	532	542	553				
2. General Government - All Levels		57	57	61	58	57	58	62	64				
D. TOTAL GROSS INVESTMENT		61	101	111	63	101	108	116	120				
1. Private (Incl. Government Enterprises)		44	65	71	45	65	69	72	74				
2. General Government - All Levels (excl. Defense)		17	36	40	18	36	39	44	46				

2	GNP TRENDS IN CONSTANT PRICES	(A) INDEX COLUMN (2) = 100					(B) PERCENT OF GNP												
		(1) 1958	(2) 1959	(3) 1960	(4) 1961	(5) 1962	(6)	(7)	(8)	(9)	(1) 1958	(2) 1959	(3) 1960	(4) 1961	(5) 1962	(6)	(7)	(8)	(9)
A. GROSS NATIONAL PRODUCT		83.7	100	103.0	106.9	109.9													
1. Per Capita GNP		85.3	100	101.0	102.8	103.6													
B. TOTAL CONSUMPTION		86.1	100	101.2	103.6	105.8													
1. Private		84.4	100	101.1	103.0	105.1													
2. Genl. Govt. - All Levels		101.8	100	101.7	106.8	112.3													
C. TOTAL GROSS INVESTMENT		62.4	100	106.9	114.6	118.8													
1. Priv. (Incl. Govt. Enterprises)		69.2	100	106.2	110.7	113.8													
2. General Government - All Levels (excl. Defense)		50.0	100	108.3	125.0	127.8													

0224

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

Enclosure 3 to Despatch 111 dated August 19, 1960.

C-1	FORM ICA 10-120 (6-59) Continuation Sheet	DATE PREPARED July 22, 1960	☒ ORIGINAL ☐ REVISION NO.	SECURITY CLASSIFICATION	COOPERATING COUNTRY	Setting for U.S. Programs	C-1
				OFFICIAL USE ONLY COUNTRY ECONOMIC PROGRAM	LEBANON GROSS NATIONAL PRODUCT		

Notes:

GNP figures for 1958, 1959 and 1960 have been revised taking into consideration the new national income estimates. Projections for 1961-62 have been made on the basis of the revised figures. The revision has been made on the basis of comparison between the new national income estimates and the old estimates. Necessary data and information for revising GNP figures independently are lacking. New GNP figures for as many previous years as possible will be worked out by a member of the Embassy and Dr. Albert Badre of the Economic Research Institution of A.U.B. in the near future and will be submitted as they become available. The present submission, while attempting consistency of yearly relationships in the various series, does not pretend to present accurate absolutes. Primary basis of the table is Embassy Despatch 591 of April 6, 1960. Many of Lebanon's significant sources of earnings are vulnerable to a lesser or greater extent. Therefore, GNP, consumption and investment projections beyond CY 1962 would be purely speculative.

Consumption shows a rising trend which reflects in addition to population growth, a steadily rising standard of living and an increase in the number of tourists and travelers who account for a significant part of total consumption. Consumption by Government is expected to rise notably due to the fact that the Government is assuming an increasing number of services, and, as a result, the administration is growing steadily.

The notable rise in investment reflects the steady growth in private investment and a greater growth trend in investments by the Government. The growth in private investment reflects, in part, the continuous inflow of capital and its investment in real estate, particularly in new construction. The growth of Government investment reflects the undertaking of an increasing number of development projects and the assumption of more and more new services.

The cost of living index shown in Table C-2 has been used as the "deflator index" in arriving at Constant Price Data for all lines in block 1 (B) except "For Capita GNP" and "Net Foreign Balance". The latter is in current prices per instructions; hence, "Total Available Resources" is not the arithmetic sum of lines A and B. An exchange rate of LL 3.17 = \$1 (a rough average of the rates prevailing during 1958-60) may be used in converting all dollar "C" table figures to Lebanese Pounds.

With reference to the question raised by ICA/W in its comments on Table C-1 for last year, the national income estimates submitted with Embassy Despatch 491, dated April 6, 1960, are believed to be in accord with current Mission opinion on the trade sector of the Lebanese economy. The 1958 crisis was responsible for sharpening a significant downward trend in transit trade through Beirut, a trend which will probably continue over the long run. (A clearer picture of the approximate amount of income loss involved will be possible when the Government publishes its customs statistics for calendar year 1959). At the same time, i.e. during 1959, other elements included in the trade sector of the Estimates contributed sharply increased amounts, which more than made up for the loss due to the decline in transit trade. Imports for consumption in Lebanon surpassed all previous records as merchants rushed to replenish stocks depleted during the previous year and to prepare for an expected wave of frustrated buyers. Perhaps almost as important in producing the over-all sharp revival in this sector was the tremendously increased volume of goods smuggled into Syria as a direct result of the latter's institution of restrictive measures designed to keep out a wide range of consumer goods normally imported from abroad. No accurate estimate of the total income represented in these illicit transactions can be made, but it is known to be large. The revival of travel, tourism and local building construction also contributed significantly, if indirectly, to the high level of income from trade.

0225

DECLASSIFIED
Authority NND 949569
By ET NARA Date 7/23/04

Enclosure 4 to Despatch 111 dated August 19, 1960

C-4	FORM ICA 10-106 (6-59)	DATE PREPARED July 27, 1960	☒ ORIGINAL ☐ REVISION NO.		SECURITY CLASSIFICATION OFFICIAL USE ONLY	COOPERATING COUNTRY LEBANON	SETTING FOR U.S. PROGRAMS	C-4
			COUNTRY ECONOMIC PROGRAM		BALANCE OF PAYMENTS			

ALL FIGURES \$1,000,000 CONVERTED AT <u>LL 3.17</u> PER \$1 U.S. ITEMS		Line No.	CALENDAR YEARS					3 Cont'd.	C. Loans Received, Net	23	(A)	(B)	(C)	(D)	(E)															
			Actual		Estimated	Projected					1958	1959	1960	1961	1962															
			(A) CY	(B) CY	(C) CY	(D) CY	(E) CY				1958	1959	1960	1961	1962															
1 Goods and Services	A. Foreign Trade	Exports (FOB)	1	37	47	50	52	55	Official Long Term Capital and Grants	C. Loans Received	23	2.3	3.8	8.1	10.0	8.0														
		Imports (-)	2	-212	-271	-279	-289	-298									Drawings, Total	24	2.3	3.8	8.1	10.0	8.0							
		Trade Balance	3	-175	-224	-229	-237	-243																MSP Conventional	25					
	B. Services	Non-Manetary Gold Movements	4	- 2	- 2	- 2	- 2	- 2																MSP-Dev. Loan Fund	26			5.5	3.0	3.0
		Foreign Travel	5	13	28	30	34	36																PL 480 - Title 1	27					
		Transportation and Insurance	6	15	19	25	28	31																Ex-Im Bank	28			1.0	2.0	
		Investment Income	7	12	15	16	17	17																IBRD	29	2.3	3.8	1.6	5.0	5.0
		Gav't., not included elsewhere	8	14	13	12	12	12																All Other	30					
		Other Services and Remittances	9	57	63	61	60	60																Repayments, Total	31					
	Total Services	10	109	135	142	149	154	MSP Conventional																32						
Balance on Goods and Services	11	- 66	- 89	- 87	- 88	- 89	MSP-Dev. Loan Fund	33																						
2 Private Capital	A. Direct Investment	12						PL 480 - Title 1	34																					
	B. Portfolio Investment	13						Ex - Im Bank	35																					
	C. Other Long Term	14						IBRD	36																					
	D. Short Term	15						All Other	37																					
Total Private Capital	16	43.1	85	76	75	72	D. Loans Made	38																						
3 Official Long Term Capital and Grants	A. Reparations	17						E. Other Capital (Itemize)																						
	B. Grants	Grants, Total	18	26.1	6.5	6.1	3.0	1.0	All Other																					
		From U.S.	MSP	19	24.1	3.3	4.5	3.0	1.0	Other Capital, Total	39																			
			PL 480 - Title I	20						Total Official Long Term Capital and Grants	40	28.4	10.3	14.2	13	9														
	From Others (Specify)	PL 480 - Title II & III	21	2	3.2	1.6			4 Total of All Above (1, 2, & 3)		+5.5	+6.3	+3.2	0.0	-8															
		Total							5 Net Errors and Omissions		+3.9	+9.6	+9.8	+8	+3															
	From Others (Specify)	All Other							6 Changes in Official and Banking Gold and Short-Term Capital (4 & 5)		+8.1	+17.9	+13.0	+8	-5															
		Total, Other Grants	22						B. Short-Term Liabilities (Increase -)	42	+1.3	-2	Change in short-term li- bilities not available, reflected in errors and omissions.																	
	Com'd.								L/C Deposits for U.S. Account	43																				
									Other Changes	44																				
TOTAL	45	+9.4	+15.9	+13.0	+8	-5																								

PAGE 15 OF 114 PAGES

SECURITY CLASSIFICATION

OFFICIAL USE ONLY

SHEET 1 OF 2 SHEETS TO THIS TABLE

0226

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

C-4	FORM ICA 10-120 (6-59) Continuation Sheet	DATE PREPARED July 27, 1960	☒ ORIGINAL ☐ REVISION NO.	SECURITY CLASSIFICATION	COOPERATING COUNTRY	Setting for U.S. Programs	C-4
				OFFICIAL USE ONLY COUNTRY ECONOMIC PROGRAM	LEBANON BALANCE OF PAYMENTS		

Notes:

Contrary to all expectations and preliminary estimates (see 1959 submission), the net inflow of private capital during 1958 now appears to have been considerably higher than previously reported. This may be partly explained, in a negative sense, by the fact that capital flowing into Lebanon during recent years has been largely invested in real estate and could not be repatriated under the conditions prevailing in Lebanon during much of 1958. On the other hand, the Iraqi revolution and the union of Syria with Egypt were important factors contributing to the continued flow of Iraqi and Syrian capital despite the disturbances in Lebanon. The net inflow in 1959 was almost double that in 1958, a striking indication of re-surgent confidence in the stability of the Lebanese economy. Present indications are that the inflow of capital during the next few years will continue to be substantial, but will be characterized by a slightly declining trend. The forecast of a declining trend is based on the assumption that construction activities, and real estate operations in general, which present the main inducement to capital inflow, cannot possibly maintain their present rate of growth.

The figures for MSP assistance for 1958, 1959 and 1960 reflect some carry-over funds allocated in previous years but not actually expended by the Lebanese Government. The PL 480 figures for these years represent the local market value of grains and feed delivered in the Port of Beirut during the year in question. Figures for actual sales of the commodities would be somewhat less for the periods indicated. The projected figures in both cases are rough estimates only and may vary widely in fact, depending in part on the rate of expenditure by the Government of previously obligated funds. No allowance is made for future PL 480 grants. Further small Title II requests cannot be ruled out, however, in view of the dim agricultural prospects for 1961, following 3 years of drought or, at best, sub-normal rainfall conditions.

The transportation item for services includes royalty and transit payments by both Tapline and IPC to the Government of Lebanon. The 1959 and subsequent figures take into consideration the new IPC agreement concluded on June 4, 1959 which provides for increased transit and royalty payments. The agreement also contains payment provisions retroactive to 1952 which will provide additional foreign exchange of LL 5,818,000 divided between 1959 and 1960.

The figures for net change in gold and foreign exchange as a result of all international payments transactions for 1958-60 (Line 41) are based on data given in the June 1960 issue of the IMF's International Financial Statistics. These figures do not include changes in holdings of commercial banks. Information on such holdings is not ordinarily divulged by Lebanese banks and is not otherwise obtainable. The figures for 1961 and 1962 on this line are estimated on the basis of observable trends in the balance of payments position.

PAGE 16 OF 114 PAGES	SECURITY CLASSIFICATION OFFICIAL USE ONLY	SHEET 2 OF 2 SHEETS TO THIS Table
----------------------	--	-----------------------------------

0227

DECLASSIFIED
 Authority NND 949569
 By PT NARA Date 7/23/04

Enclosure Beirut - 8/19/60 **Enclosure 3 to Despatch 111 dated August 19,**

C-1	FORM ICA 10-103 (6-59)	DATE PREPARED July 22, 1960	☒ ORIGINAL ☐ REVISION NO.	SECURITY CLASSIFICATION OFFICIAL USE ONLY COUNTRY ECONOMIC PROGRAM	COOPERATING COUNTRY LEBANON	SETTING FOR U.S. PROGRAMS GROSS NATIONAL PRODUCT	C-1																																																																																																																																																																																																																																																																																																																									
	ALL FIGURES IN \$1,000,000 EXCHANGE RATE \$1= LL3.17 <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th rowspan="3"></th> <th colspan="3">(A) CURRENT PRICES</th> <th colspan="8">(B) CONSTANT PRICES (Based On Price Level Of Year In Column 2)</th> </tr> <tr> <th colspan="2">Actual</th> <th>Estimated</th> <th colspan="2">Actual</th> <th>Estimated</th> <th colspan="2">Projected</th> <th colspan="3">Additional Projections</th> </tr> <tr> <th>(1) CY 1958</th> <th>(2) CY 1959</th> <th>(3) CY 1960</th> <th>(1) CY 1958</th> <th>(2) CY 1959</th> <th>(3) CY 1960</th> <th>(4) CY 1961</th> <th>(5) CY 1962</th> <th>(6) CY</th> <th>(7) CY</th> <th>(8) CY</th> <th>(9) CY</th> </tr> </thead> <tbody> <tr> <td>GROSS NATIONAL PRODUCT (at market prices)</td> <td>485</td> <td>595</td> <td>627</td> <td>498</td> <td>595</td> <td>613</td> <td>636</td> <td>654</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Per Capita GNP (\$)</td> <td>323</td> <td>389</td> <td>402</td> <td>332</td> <td>389</td> <td>393</td> <td>400</td> <td>403</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>NET FOREIGN BALANCE Inflow (+), Outflow (-)</td> <td>66</td> <td>89</td> <td>87</td> <td>66</td> <td>89</td> <td>87</td> <td>88</td> <td>89</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>TOTAL AVAILABLE RESOURCES</td> <td>551</td> <td>684</td> <td>714</td> <td>565</td> <td>684</td> <td>698</td> <td>720</td> <td>737</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>TOTAL CONSUMPTION</td> <td>490</td> <td>583</td> <td>603</td> <td>502</td> <td>583</td> <td>590</td> <td>604</td> <td>617</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>1. Private</td> <td>433</td> <td>526</td> <td>542</td> <td>444</td> <td>526</td> <td>532</td> <td>542</td> <td>553</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>2. General Government - All Levels</td> <td>57</td> <td>57</td> <td>61</td> <td>58</td> <td>57</td> <td>58</td> <td>62</td> <td>64</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>TOTAL GROSS INVESTMENT</td> <td>61</td> <td>101</td> <td>111</td> <td>63</td> <td>101</td> <td>108</td> <td>116</td> <td>120</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>1. Private (Incl. Government Enterprises)</td> <td>44</td> <td>65</td> <td>71</td> <td>45</td> <td>65</td> <td>69</td> <td>72</td> <td>74</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>2. General Government - All Levels (excl. Defense)</td> <td>17</td> <td>36</td> <td>40</td> <td>18</td> <td>36</td> <td>39</td> <td>44</td> <td>46</td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th rowspan="2"></th> <th colspan="5">(A) INDEX COLUMN (2) = 100</th> <th colspan="9">(B) PERCENT OF GNP</th> </tr> <tr> <th>(1) 1958</th> <th>(2) 1959</th> <th>(3) 1960</th> <th>(4) 1961</th> <th>(5) 1962</th> <th>(1) 1958</th> <th>(2) 1959</th> <th>(3) 1960</th> <th>(4) 1961</th> <th>(5) 1962</th> <th>(6)</th> <th>(7)</th> <th>(8)</th> <th>(9)</th> </tr> </thead> <tbody> <tr> <td>GROSS NATIONAL PRODUCT</td> <td>83.7</td> <td>100</td> <td>103.0</td> <td>106.9</td> <td>109.9</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>1. Per Capita GNP</td> <td>85.3</td> <td>100</td> <td>101.0</td> <td>102.8</td> <td>103.6</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>TOTAL CONSUMPTION</td> <td>86.1</td> <td>100</td> <td>101.2</td> <td>103.6</td> <td>105.8</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>1. Private</td> <td>84.4</td> <td>100</td> <td>101.1</td> <td>103.0</td> <td>105.1</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>2. Genl. Govt. - All Levels</td> <td>101.7</td> <td>100</td> <td>101.7</td> <td>108.8</td> <td>112.3</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>TOTAL GROSS INVESTMENT</td> <td>62.4</td> <td>100</td> <td>106.9</td> <td>114.8</td> <td>118.8</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>1. Priv. (Incl. Govt. Enterprises)</td> <td>69.2</td> <td>100</td> <td>106.2</td> <td>110.7</td> <td>113.8</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>2. General Government - All Levels (excl. Defense)</td> <td>50.0</td> <td>100</td> <td>108.3</td> <td>125.0</td> <td>127.8</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table>								(A) CURRENT PRICES			(B) CONSTANT PRICES (Based On Price Level Of Year In Column 2)								Actual		Estimated	Actual		Estimated	Projected		Additional Projections			(1) CY 1958	(2) CY 1959	(3) CY 1960	(1) CY 1958	(2) CY 1959	(3) CY 1960	(4) CY 1961	(5) CY 1962	(6) CY	(7) CY	(8) CY	(9) CY	GROSS NATIONAL PRODUCT (at market prices)	485	595	627	498	595	613	636	654					Per Capita GNP (\$)	323	389	402	332	389	393	400	403					NET FOREIGN BALANCE Inflow (+), Outflow (-)	66	89	87	66	89	87	88	89					TOTAL AVAILABLE RESOURCES	551	684	714	565	684	698	720	737					TOTAL CONSUMPTION	490	583	603	502	583	590	604	617					1. Private	433	526	542	444	526	532	542	553					2. General Government - All Levels	57	57	61	58	57	58	62	64					TOTAL GROSS INVESTMENT	61	101	111	63	101	108	116	120					1. Private (Incl. Government Enterprises)	44	65	71	45	65	69	72	74					2. General Government - All Levels (excl. Defense)	17	36	40	18	36	39	44	46						(A) INDEX COLUMN (2) = 100					(B) PERCENT OF GNP									(1) 1958	(2) 1959	(3) 1960	(4) 1961	(5) 1962	(1) 1958	(2) 1959	(3) 1960	(4) 1961	(5) 1962	(6)	(7)	(8)	(9)	GROSS NATIONAL PRODUCT	83.7	100	103.0	106.9	109.9										1. Per Capita GNP	85.3	100	101.0	102.8	103.6										TOTAL CONSUMPTION	86.1	100	101.2	103.6	105.8										1. Private	84.4	100	101.1	103.0	105.1										2. Genl. Govt. - All Levels	101.7	100	101.7	108.8	112.3										TOTAL GROSS INVESTMENT	62.4	100	106.9	114.8	118.8										1. Priv. (Incl. Govt. Enterprises)	69.2	100	106.2	110.7	113.8										2. General Government - All Levels (excl. Defense)	50.0	100	108.3	125.0	127.8								
	(A) CURRENT PRICES			(B) CONSTANT PRICES (Based On Price Level Of Year In Column 2)																																																																																																																																																																																																																																																																																																																												
	Actual		Estimated	Actual		Estimated	Projected		Additional Projections																																																																																																																																																																																																																																																																																																																							
	(1) CY 1958	(2) CY 1959	(3) CY 1960	(1) CY 1958	(2) CY 1959	(3) CY 1960	(4) CY 1961	(5) CY 1962	(6) CY	(7) CY	(8) CY	(9) CY																																																																																																																																																																																																																																																																																																																				
GROSS NATIONAL PRODUCT (at market prices)	485	595	627	498	595	613	636	654																																																																																																																																																																																																																																																																																																																								
Per Capita GNP (\$)	323	389	402	332	389	393	400	403																																																																																																																																																																																																																																																																																																																								
NET FOREIGN BALANCE Inflow (+), Outflow (-)	66	89	87	66	89	87	88	89																																																																																																																																																																																																																																																																																																																								
TOTAL AVAILABLE RESOURCES	551	684	714	565	684	698	720	737																																																																																																																																																																																																																																																																																																																								
TOTAL CONSUMPTION	490	583	603	502	583	590	604	617																																																																																																																																																																																																																																																																																																																								
1. Private	433	526	542	444	526	532	542	553																																																																																																																																																																																																																																																																																																																								
2. General Government - All Levels	57	57	61	58	57	58	62	64																																																																																																																																																																																																																																																																																																																								
TOTAL GROSS INVESTMENT	61	101	111	63	101	108	116	120																																																																																																																																																																																																																																																																																																																								
1. Private (Incl. Government Enterprises)	44	65	71	45	65	69	72	74																																																																																																																																																																																																																																																																																																																								
2. General Government - All Levels (excl. Defense)	17	36	40	18	36	39	44	46																																																																																																																																																																																																																																																																																																																								
	(A) INDEX COLUMN (2) = 100					(B) PERCENT OF GNP																																																																																																																																																																																																																																																																																																																										
	(1) 1958	(2) 1959	(3) 1960	(4) 1961	(5) 1962	(1) 1958	(2) 1959	(3) 1960	(4) 1961	(5) 1962	(6)	(7)	(8)	(9)																																																																																																																																																																																																																																																																																																																		
GROSS NATIONAL PRODUCT	83.7	100	103.0	106.9	109.9																																																																																																																																																																																																																																																																																																																											
1. Per Capita GNP	85.3	100	101.0	102.8	103.6																																																																																																																																																																																																																																																																																																																											
TOTAL CONSUMPTION	86.1	100	101.2	103.6	105.8																																																																																																																																																																																																																																																																																																																											
1. Private	84.4	100	101.1	103.0	105.1																																																																																																																																																																																																																																																																																																																											
2. Genl. Govt. - All Levels	101.7	100	101.7	108.8	112.3																																																																																																																																																																																																																																																																																																																											
TOTAL GROSS INVESTMENT	62.4	100	106.9	114.8	118.8																																																																																																																																																																																																																																																																																																																											
1. Priv. (Incl. Govt. Enterprises)	69.2	100	106.2	110.7	113.8																																																																																																																																																																																																																																																																																																																											
2. General Government - All Levels (excl. Defense)	50.0	100	108.3	125.0	127.8																																																																																																																																																																																																																																																																																																																											

0228

 DECLASSIFIED
 Authority NND 949569
 By PT NARA Date 7/23/04

FORM ICA 10-120 (6-59) Continuation Sheet	DATE PREPARED	☒ ORIGINAL ☐ REVISION NO.	SECURITY CLASSIFICATION	COOPERATING COUNTRY	Enclosure 3 to Despatch 111 dated August 10, 1960 Setting for U.S. Programs	C-1
	July 22, 1960		OFFICIAL USE ONLY COUNTRY ECONOMIC PROGRAM	LEBANON GROSS NATIONAL PRODUCT		

Notes:

GNP figures for 1958, 1959 and 1960 have been revised taking into consideration the new national income estimates. Projections for 1961-62 have been made on the basis of the revised figures. The revision has been made on the basis of comparison between the new national income estimates and the old estimates. Necessary data and information for revising GNP figures independently are lacking. New GNP figures for as many previous years as possible will be worked out by a member of the Embassy and Dr. Albert Badre of the Economic Research Institution of A.U.B. in the near future and will be submitted as they become available. The present submission, while attempting consistency of yearly relationships in the various series, does not pretend to present accurate absolutes. Primary basis of the table is Embassy Despatch 591 of April 6, 1960. Many of Lebanon's significant sources of earnings are vulnerable to a lesser or greater extent. Therefore, GNP, consumption and investment projections beyond CY 1962 would be purely speculative.

Consumption shows a rising trend which reflects in addition to population growth, a steadily rising standard of living and an increase in the number of tourists and travelers who account for a significant part of total consumption. Consumption by Government is expected to rise notably due to the fact that the Government is assuming an increasing number of services, and, as a result, the administration is growing steadily.

The notable rise in investment reflects the steady growth in private investment and a greater growth trend in investments by the Government. The growth in private investment reflects, in part, the continuous inflow of capital and its investment in real estate, particularly in new construction. The growth of Government investment reflects the undertaking of an increasing number of development projects and the assumption of more and more new services.

The cost of living index shown in Table C-2 has been used as the "deflator index" in arriving at Constant Price Data for all lines in block 1 (B) except "For Capita GNP" and "Net Foreign Balance". The latter is in current prices per instructions; hence, "Total Available Resources" is not the arithmetic sum of lines A and B. An exchange rate of LL 3.17 = \$1 (a rough average of the rates prevailing during 1958-60) may be used in converting all dollar "C" table figures to Lebanese Pounds.

With reference to the question raised by ICA/W in its comments on Table C-1 for last year, the national income estimates submitted with Embassy Despatch 491, dated April 6, 1960, are believed to be in accord with current Mission opinion on the trade sector of the Lebanese economy. The 1958 crisis was responsible for sharpening a significant downward trend in transit trade through Beirut, a trend which will probably continue over the long run. (A clearer picture of the approximate amount of income loss involved will be possible when the Government publishes its customs statistics for calendar year 1959). At the same time, i.e. during 1959, other elements included in the trade sector of the Estimates contributed sharply increased amounts, which more than made up for the loss due to the decline in transit trade. Imports for consumption in Lebanon surpassed all previous records as merchants rushed to replenish stocks depleted during the previous year and to prepare for an expected wave of frustrated buyers. Perhaps almost as important in producing the over-all sharp revival in this sector was the tremendously increased volume of goods smuggled into Syria as a direct result of the latter's institution of restrictive measures designed to keep out a wide range of consumer goods normally imported from abroad. No accurate estimate of the total income represented in these illicit transactions can be made, but it is known to be large. The revival of travel, tourism and local building construction also contributed significantly, if indirectly, to the high level of income from trade.

0229

DECLASSIFIED
Authority NND 949569
By [] NARA Date 7/23/04

Encl. from Beirut (8/19/60)

(Secret)

Enclosure 4 to Despatch 111 dated 10/10/60

FORM ICA 10-120 (6-59) Continuation Sheet	DATE PREPARED July 27, 1960	☒ ORIGINAL ☐ REVISION NO.	SECURITY CLASSIFICATION	COOPERATING COUNTRY	Setting for U.S. Programs
			OFFICIAL USE ONLY COUNTRY ECONOMIC PROGRAM	LEBANON BALANCE OF PAYMENTS	

Notes:

Contrary to all expectations and preliminary estimates (see 1959 submission), the net inflow of private capital during 1958 now appears to have been considerably higher than previously reported. This may be partly explained, in a negative sense, by the fact that capital flowing into Lebanon during recent years has been largely invested in real estate and could not be repatriated under the conditions prevailing in Lebanon during much of 1958. On the other hand, the Iraqi revolution and the union of Syria with Egypt were important factors contributing to the continued flow of Iraqi and Syrian capital despite the disturbances in Lebanon. The net inflow in 1959 was almost double that in 1958, a striking indication of resurgent confidence in the stability of the Lebanese economy. Present indications are that the inflow of capital during the next few years will continue to be substantial, but will be characterized by a slightly declining trend. The forecast of a declining trend is based on the assumption that construction activities, and real estate operations in general, which present the main inducement to capital inflow, cannot possibly maintain their present rate of growth.

The transportation item for services includes royalty and transit payments by both Tapline and IPC to the Government of Lebanon. The 1959 and subsequent figures take into consideration the new IPC agreement concluded on June 4, 1959 which provides for increased transit and royalty payments. The agreement also contains payment provisions retroactive to 1952 which will provide additional foreign exchange of LL 5,818,000 divided between 1959 and 1960.

The figures for net change in gold and foreign exchange as a result of all international payments transactions for 1958-60 (Line 41) are based on data given in the June 1960 issue of the IMF's International Financial Statistics. These figures do not include changes in holdings of commercial banks. Information on such holdings is not ordinarily divulged by Lebanese banks and is not otherwise obtainable. The figures for 1961 and 1962 on this line are estimated on the basis of observable trends in the balance of payments position.

The figures for MSP assistance for 1958, 1959 and 1960 reflect some carry-over funds allocated in previous years but not actually expended by the Lebanese Government. The PL 480 figures for these years represent the local market value of grains and feed delivered in the Port of Beirut during the year in question. Figures for actual sales of the commodities would be somewhat less for the periods indicated. The projected figures in both cases are rough estimates only and may vary widely in fact, depending in part on the rate of expenditure by the Government of previously obligated funds. No allowance is made for future PL 480 grants. Further small Title II requests cannot be ruled out, however, in view of the dim agricultural prospects for 1961, following 3 years of drought or, at best, sub-normal rainfall conditions.

0231

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

AIR POUCH
PRIORITY

UNCLASSIFIED
(Security Classification)

DO NOT TYPE IN THIS SPACE

FOREIGN SERVICE DESPATCH

FROM : AmEmbassy, Beirut.

125
DESP. NO.

August 22, 1960.

AUG 26 1960

TO : THE DEPARTMENT OF STATE, WASHINGTON.

REF : 1957 CERP, Section D, Item I-A-4.

67 For Dept. Use Only	ACTION REC'D 8/29	DEPT. IN F O OTHER	1 2 3 4 5 6 7 8 9 10 11 12
			100-7 REP-1 INR-7 E-7 ID-4 OA-11 EAR-5 CIA-10 COM-10 HEW-5 USA-10 TR-3 FRB-3 AM-3-4

SUBJECT: Economic and social program of the new Lebanese Government. LAB-6 HHA-2
ARMY-4 NAVY-3 AIR-6 NSA-2 AS-8 IN-7

Hereafter is an unofficial translation of an excerpt stating the Lebanese government's economic and social program, taken from the ministerial declaration made by Prime Minister Saeb Salam at the meeting of the Chamber of Deputies on August 18, 1960, and on which he obtained a vote of confidence:

"We arrive at the traditional custom of enumerating the projects which every government promises to carry out. We apologize for having to enumerate the projects whose execution we intend to assume, and to specify the studies we will commence from tomorrow onward, and the works which every ministry will have to carry out as quickly as possible within the framework of its special competence:

- Completion of the full planning of economic and social development, and the up-to-date equipment of the Central Statistical Office.

- Modification of the tax system conformably to the economic development and the requirements of modern life in the light of the principles of free exchange as applied to Lebanon.

- At the same time, change in the investment policy in accordance with the development plans of all the country's resources; encouragement to private initiative and enterprises; creation, for the latter, of new activity sectors in view of the investment of new Lebanese and foreign capital.

- Carrying out of the law providing for the establishment of a Money and Credit Council.

- Carrying on the preparation of the reports of the special Committee charged with determining the action to be taken to reconcile the increase in the cost of living and the salaries of the government civil and military employees as well as their bonuses and indemnities.

- Drawing up a general plan for the extension of the highway system, and granting every district the appropriations to which it is entitled and which it requires for its development.

MJalkh:nm
REPORTER

UNCLASSIFIED

ACTION COPY — DEPARTMENT OF STATE

The action office must return this permanent record copy to DC/R files with an endorsement of action taken.

883A.00/8-2260

SEP 9 1960

305

DECLASSIFIED
Authority NND 949569
By [] NARA Date 7/23/04

UNCLASSIFIED
(Classification)

Page 2 of
Encl. No. 2
Desp. No. 120
From Beirut.

- Carrying on the policy of erecting government buildings, and, consequently, hurrying up the building of the new Justice Palace, the Beirut International Airport, the vocational school, the up-to-date prison, and the numerous hospitals and public dispensaries which are provided for various regions. At the same time, completion of the surveys relating to the erection of the group of government offices, of seats of public administrations, of security force stations in some districts and counties.

- Study of general water planning and carrying out of water projects in all regions and especially in North-Lebanon, the Bekaa, and South-Lebanon; drinking water supply to as many villages as possible, building of dams and planning artificial lakes for storing water in winter for its use in cities and especially in Beirut, and in mountain centers, as an additional supply.

- Making a new technical and administrative survey of the Litani projects in the light of works already carried out within our technical possibilities; endeavors to resume work in giving priority to drinking and irrigation water, and generalization of the project's benefit.

- Completion of the projects of electric power production in sufficient volume and at adequate prices; connection of generating plants with each other; establishing an adequate system for distributing power to towns and villages by day and night without interruption.

- Realization of social security and especially medical insurance, by stages according to the possibilities of the government and employers on the one hand, and the workers' and employees' needs on the other hand; taking care of the trade unions' problems the organization and activities of which must be developed.

- Struggle against the high cost of living and hoarding; issuance of a special legislation for the importation of pharmaceutical products with a view to placing such products within reach of all classes of people.

- Completion of the study of the project of cheap housing; erection of such houses and taking care of the housing problem in general.

- Generalization of free elementary education, and establishment of secondary and vocational schools in all districts in accordance with the needs of undeveloped regions; preparation of the students in the light of the needs of modern life and economic and cultural evolution.

- Raising the standard of the teaching staff in public schools according to a program of disciplinary and cultural training.

- Carrying on the study of the project of unification of programs for its application to primary education.

UNCLASSIFIED

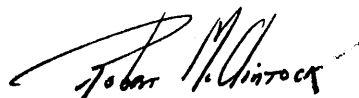
0 2 3 3

DECLASSIFIED
Authority NNP 949569
By PT NARA Date 7/23/04

UNCLASSIFIED
(Classification)

Page 3 of
Encl. No. 3
Desp. No. 120
From Beirut.

- Increase of appropriations for scholarships for specialization in higher knowledge; granting such scholarships to the backward part of the population with a view to doing them justice scientifically and socially. ?
- Setting sound bases for cooperation between the Ministry of National Education and private educational institutions, especially insofar as the control of these institutions is concerned.
- Reduction of school book prices.
- Strengthening of the Lebanese University and establishing there new branches for teaching applied engineering and social science.
- Creation of a museum for Lebanese and Arab art.
- Effective encouragement to sport and boy-scouting and keeping them away from politics.
- Completion of the automatic telephone system and its extension to all regions of Lebanon; generalization of post-offices and telephone call-boxes.
- Study of the problems of industry with a view to encouraging national production and safeguarding at the same time Lebanon's commercial position.
- Giving more attention to tourism and archaeological sites.
- Creation of new centers for agricultural research; strengthening agricultural orientation and raising the standard of agricultural education.
- Organization of agricultural cooperatives on modern bases.
- Carrying out of the project of a mutual benefit fund for government employees.
- Raising of the standard of municipalities and villages; and encouragement to set municipal leagues for carrying out projects of common interest.
- Organization of the capital city on modern bases and modernization of its means of transportation.
- Request to the press to assume its responsibility within the freedom of which Lebanon is proud, and cooperation with the Press Union for the accomplishment of the latter's task under the best conditions.
- Completion of the project of a new broadcasting station to cause the voice of Lebanon to be heard by the whole world; and preparation of high standard programs conformable to the cultural and artistic position of Lebanon and the progress of broadcasting."



Robert M. McClintock

UNCLASSIFIED

0234

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

INCOMING AIRGRAM

Department of State

ED LOBENSTINE

ACTION COPY

53
Action

E

Info

NEA
UMSC
ICA
INR
CIA
NSA
COMM
FRB
OITF
TRSY
RMR

FROM: Amembassy BEIRUT

TO: Secstate WASHINGTON

NO: G-47

OFFICIAL USE ONLY
Classification

PAGE 1 OF 2

Date Sent: August 26, 1960

Rec'd:

Ref: 1957 CERP, Section D, IV-A-5; Embdesp 120, August 22, 1960

Economic sections of Ministerial Declaration of August 18, 1960 (for which see Embassy's referenced communication) present Salam cabinet's economic program. Pronouncement stresses free enterprise, encouragement of private initiative and investment, foreign as well as Lebanese. It pledges vast public works; fiscal reform; fight against rising cost of living. Following points and omissions are of immediate interest:

Establishment and equipment of Central Office of Statistics, long urged by Embassy on Lebanese Government contacts, is stated as first immediate task.

Greater attention to tourism, another Embassy development target for Lebanon, is recognized as a necessity.

Extension of telephone network to all Lebanon is pledged. This presents possible opportunity for large-scale export of U.S. communications equipment, as reported in Embassy G-40 of August 16, 1960.

New technical and administrative study of Litani project is to be undertaken, with a view to resuming work and giving priority to potable water and irrigation. This contrasts with recent report of IBRD team which specified World Bank's prior approval for shift in Litani emphasis to potable water and irrigation to detriment of power generation (see Embdesp 71, August 4, 1960, DER 22, Item VI). Embassy believes this clause of Declaration is motivated primarily by domestic political consideration and probably not portent of clash between Lebanese Government and Bank on Litani priorities.

ECON: LCTihany: bmb
Aug. 24, 1960

OFFICIAL USE ONLY
Classification

REPRODUCTION FROM THIS COPY IS
PROHIBITED UNLESS "UNCLASSIFIED"

PERMANENT

RECORD COPY • This copy must be returned to RM/R central files with notation of action taken •

MESSAGE CENTER
CONTROL
AUG 30 1960
IN

883A.00/8-2660
HBS
FILED

0235

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

OFFICIAL USE ONLY

Promise of special legislation to regulate pharmaceutical imports is causing anxiety among representatives of U.S. pharmaceutical firms in view of recent nationalization of this import trade in Egypt and demand for nationalization in Lebanon by Minister of Education Kamal JUMBLATT following July 28 Lebanon drug price reductions.

Omission of reference to planned Tripoli International Fair has prompted letter from President, Tripoli Chamber of Commerce to Prime Minister, to which latter replied, stating that it was not deemed necessary to mention this project, which is "already on the way to realization."

Certain papers also object to lack of reference in Declaration to obtaining increase of royalties due from TAPLINE, but Acting Finance Minister Maurice GEMAYEL has assured critics that Government, having won its vote of confidence, will without doubt open negotiations with TAPLINE which admits necessity of increasing its royalties to Lebanon.

Commenting on Declaration, Minister of Public Works Osman DANA stated on August 22 that Lebanon is to witness "the greatest era of national reconstruction within the six coming years" and that this will necessitate invitations to "international tenders."

Embassy considers above pledges and assurances comparable to Western party platform with significant difference that latter is pre-election bid for maximum support of electors to attain power, whereas Lebanese Ministerial Declaration is post-election political plea for maximum support from combination of compartmentalized interests in order to retain power and, as in the West, to work toward the possible within the framework of the appealing.

McCLINTOCK

OFFICIAL USE ONLY

0236

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

883A.00/a-160

0237

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

Air Pouch
PRIORITY

OFFICIAL USE ONLY
(Security Classification)

DO NOT TYPE IN THIS SPACE

FOREIGN SERVICE DESPATCH

882a.00/9-160
RM/R

FROM : Amembassy BEIRUT

138

DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

September 1, 1960

DATE

REF : CERP, Section C. Item; Embdesp. 106, August 18, 1960

35 For Dept. Use Only	ACTION	DEPT.
	REC'D	OTHER
	9-6	RM/R-2 Rep-1 INR-10 ICA-11 E-7 EUR-5 Com-12 USIA-10 OSD-2 ARMY-35 NAVY-20 AIR-30

SUBJECT: Biweekly Economic Review No. 24 - Lebanon - Period Ending September 1, 1960

Contents

Note

- I. OFFICIAL USE ONLY - General Trends
- II. UNCLASSIFIED - Government Policy: Ambitious Public Works Program Announced
- III. OFFICIAL USE ONLY - Foreign Trade: U.S. Pharmaceutical Firms Concerned About Proposed Nationalization of Drug Trade
- IV. UNCLASSIFIED - Foreign Trade: Importation of Lucky Strike Cigarettes Stopped
- V. UNCLASSIFIED - Government Policy: New Government Reaffirms Support for Tripoli Fair.
- VI. UNCLASSIFIED - Foreign Trade: Imports Not Conforming With Regulations Threatened With Seizure
- VII. UNCLASSIFIED - Government Policy: Civil Service Pay Raise Being Planned Due to Rising Cost of Living
- VIII. OFFICIAL USE ONLY - Foreign Trade: IBM Planning to Divide Market With Bull
- IX. UNCLASSIFIED - Industry: 25% Duty Increase Predicted For Certain Textile Imports (See BER 23)
- X. UNCLASSIFIED - Aviation: Unemployed Lebanese Pilots Seek Ouster of Foreign Air Crews
- XI. UNCLASSIFIED - Petroleum Affairs: Tapline Negotiations; Progress of Exploration by Elwerath

ECONC:lhany:bmb
REPORTER

OFFICIAL USE ONLY

ACTION COPY - DEPARTMENT OF STATE

The action office must return this permanent record copy to RM/R files with an endorsement of action taken.

This Document must be returned to the RM/R files

883A.00/9-160

CIA

1960 SEP 2 10 52 AM
RECEIVED
1960 SEP 2 10 52 AM
RECEIVED

0238

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

OFFICIAL USE ONLY

Page 2 of 7
Desp. No. 138
from BEIRUT

NOTE:

In the absence of two Economic Officers and the Labor Attache, and under an unusually heavy pressure of daily services to U.S. business, the Bi-weekly Economic Review will be submitted in a streamlined and abbreviated form until further notice. The editorial policy will be to report and analyze concisely items indicating trends and developments not suitable or not as yet ready for treatment in other media of official communication with the Department.

I. OFFICIAL USE ONLY - General Trends

Following the announcement in the Ministerial Declaration of August 18 of the Salam Cabinet's ambitious and appealing economic program (for which see the Embassy's G-47 of August 26, 1960), the bearish stock exchange showed some signs of rallying, but the U.S. dollar continued weak on the money market. During the week following the Ministerial Declaration, the volume of transactions on the stock exchange rose to LL 858,000 from LL 734,500 of the preceding week, but the former figure is still an indicator of relative business inactivity when compared with the LL 1,021,000 volume of transactions during the last week of July. The temporary and relative lack of commercial demand for foreign currency is partially responsible for the low U.S. dollar free rate of exchange, which has dropped more during the past fortnight and now vacillates between 315.50 and 315.60 piasters. Other possible reasons for the weakness of the dollar may be an unusually high offer on the part of summer visitors and emigres at a time when demand is below the normal, and reported dollar sales by certain Beirut banks to cover Lebanese pound withdrawals. In any event, it should be noted that the pound sterling (transferable) is also weak (886.50 - 887.50 piasters).

Business circles are reacting favorably to the government's reiteration, in the Ministerial Declaration, of the principles of free enterprise, initiative, and exchange. At the same time, however, some anxiety is being shown as a result of what some consider a process of "creeping inflation" (the cost of living having risen by at least 12.7% during the past 12 months) and due to certain attempts and suggestions to modify, or at least question, the validity of laissez faire economics in such widely separated sectors as pharmaceuticals and textiles. The part of the Ministerial Declaration promising fiscal reform, with its implications of evening off the tax burden and preventing large-scale tax evasion, has not been found palatable by merchants and members of the liberal professions. These groups appear to be apprehensive lest, as a result of well-intentioned doctoring, the goose which has been laying the golden eggs should suffer an intestinal obstruction.

OFFICIAL USE ONLY

0239

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

OFFICIAL USE ONLY

Page 3 of 7
Desp. No. 138
from BEIRUT

II. UNCLASSIFIED - Government Policy: Ambitious Public Works Program Announced.

Enlarging upon the economic clauses of the Ministerial Declaration, Minister of Public Works Osman DANA told the press that the next six years would see "the greatest era of national reconstruction" ever in Lebanon and that international tenders would be invited. Among the big projects having priority he mentioned the Litani, the enlargement of Beirut Airport, the building of a third basin for Beirut Port, completion of the international highways network, and generalization of the use of electric power throughout the country.

OFFICIAL USE ONLY: Comment

Following his press statement, Mr. Dana told an Embassy officer that he counted heavily on U.S. know-how and equipment in carrying out his public works projects and invited the officer to his office for a preliminary discussion of the problems involved.

III. OFFICIAL USE ONLY - Foreign Trade: U.S. Pharmaceutical Firms Concerned About Proposed Nationalization of Drug Trade.

A bill submitted to Parliament during the past week (by Deputy FARID GEBRAN, a member of KAMAL JOUMBLATT's Progressive Socialist Party) has as its objective the nationalization of the pharmaceutical trade.

OFFICIAL USE ONLY: Comment

Minister of Education KAMAL JOUMBLATT has come out in favor of nationalizing the drug trade, and the Ministerial Declaration pledges "special legislation for the importation of pharmaceutical products with a view to placing such products within reach of all classes of the population". At a recent conference held by representatives of U.S. pharmaceutical firms in Beirut serious concern was expressed about the trend toward nationalized medicine. The participants decried what appears to them as an organized press campaign in favor of nationalization, following the July 28 imposition of price controls (see BER 22) and the take-over of the trade by the government in Egypt. A counter-publicity campaign by the firms represented was agreed upon.

IV. UNCLASSIFIED - Foreign Trade: Importation of Lucky Strike Cigarettes Stopped.

A telegraphic protest was sent by the representatives of U.S. cigarette manufacturers to the Regie des Tabacs (Tobacco Monopoly) against alleged

OFFICIAL USE ONLY

0240

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

OFFICIAL USE ONLY

Page 4 of 7
Desp. No. 138
from BEIRUT

favoritism to the British American Tobacco Co., manufacturer of Lucky Strike cigarettes. The telegram charged that BAT, being a shareholder of the Regie, has been quietly excused from buying Lebanese tobacco for an amount equal to the cigarette imports made by the Regie from a manufacturing company, as is the rule.

UNCLASSIFIED: Comment

Mr. Badih SAIKALI, one of the Regie's managing directors, informs the Embassy that the charge is without foundation. He claims that, although BAT is a shareholder in the Regie, it has not been the subject of any favoritism. Mr. Saikali points out that, since BAT has not been buying a sufficient quantity of Lebanese tobacco to compensate its cigarette sales to Lebanon, the Regie has stopped for the last four months the importation of Lucky Strike cigarettes.

V. UNCLASSIFIED - Government Policy: New Government Reaffirms Support for Tripoli Fair.

Although the economic program of the Salam cabinet, as presented in the Ministerial Declaration, contains no reference to the planned International Fair at Tripoli, the Prime Minister, upon being questioned, declared his government's intention to bring the project to completion.

OFFICIAL USE ONLY: Comment

The President of the Tripoli Chamber of Commerce and a brother of former Premier KARAMI (who is his political representative in Tripoli), have told an Embassy officer that the International Fair is not likely to open in Tripoli in 1961, but probably in 1962. Karami was the prime mover behind the planned fair; his brother stresses that for Tripoli, now cut off from its natural Syrian hinterland, such a fair is an economic sine qua non.

VI. UNCLASSIFIED - Foreign Trade: Imports not Conforming with Regulations Threatened with Seizure.

On August 24 the Ministry of National Economy issued a communique warning merchants against the sale of industrial and agricultural products which have entered Lebanon in violation of regulations in effect. The communique threatened transgressors with seizure of goods and legal proceedings.

OFFICIAL USE ONLY

0241
DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

OFFICIAL USE ONLY

Page 5 of 7
Desp. No. 138
from BEIRUT

OFFICIAL USE ONLY: Comment

The warning is probably intended for merchants trafficking in smuggled UAR textiles and other contraband, but would be applicable also to bromated U.S. flour (see Embdesp. 48, July 22, 1960) if brought into Lebanon while a prohibitory decree remains in effect. Another commodity which may be affected is butter. It is said that, as in the case of the bromated flour episode, Mounir HANNA of the Consumer Protection Service in the Ministry of National Economy is behind the present warning.

VII. UNCLASSIFIED - Government Policy: Civil Service Pay Raise Being Planned Due to Rising Cost of Living.

The Ministry of Finance is reported to have submitted to President Chehab the cost estimate of a planned pay raise which would advance all civil servants by one grade as far as salary is concerned without actually promoting them to the superior class.

UNCLASSIFIED: Comment

The projected Civil Service pay raise is being considered under the pressure of the increasingly higher cost of living, to which there are two references in the Ministerial Declaration and which the new government has pledged to fight.

VIII. OFFICIAL USE ONLY - Foreign Trade: IBM Planning to Divide Market with Bull.

IBM is proceeding with plans to organize a regional headquarters in Beirut, with a special division devoted to the needs of oil-producing Arab states.

OFFICIAL USE ONLY: Comment

Mr. Adrian SALLOUM, newly arrived (from Cairo) head of the projected regional office has informed the Embassy that IBM is considering a division of the Lebanese (and perhaps the Middle Eastern) market with the Bull Co. of France. Under the terms of the agreement now being considered, IBM would turn over to Bull payroll and export-import statistics requirements, while keeping for itself fields requiring the "101" machine (vital statistics, meteorology, tourism, personal records and social insurance).

OFFICIAL USE ONLY

0242
DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

OFFICIAL USE ONLY

Page 6 of 7
Desp. No. 138
from BEIRUT

IX. UNCLASSIFIED - Industry: 25% Duty Increase Predicted for Certain Textile Imports (see BER 23).

The government commission charged with recommending a solution for the textile crisis has nearly completed its work and is expected to submit its report before the appointed deadline of September 15.

UNCLASSIFIED: Comment

According to a member of the commission, the report will include a proposal for a 25% increase of duty on job lots. It is doubtful that the merchants will accept such an increase without corresponding compensation to them.

X. UNCLASSIFIED - Aviation: Unemployed Lebanese Pilots Seek Ouster of Foreign Air Crews

A delegation of unemployed Lebanese pilots has recently visited both the Prime Minister and the Director General of Civil Aviation to insist that Lebanese airlines be compelled to replace their foreign air crews with Lebanese pilots. The Director General is reported as replying that the airlines have not found Lebanese pilots adequately qualified but that he is prepared to convene a technical committee to examine the unemployed pilots' qualifications and to direct that the airlines employ any who pass the exam. Those who fail will be offered other jobs at the Beirut airport. The delegation has rejected this offer on the grounds that presently employed air crews were not required to pass a governmental examination and they see no reason they should.

OFFICIAL USE ONLY: Comment

The majority of the "unemployed pilots" (numbering about fifty) are recent graduates of single-engine pilot-training schools in the U.S. and Western Europe, who undertook training at their own expense, expecting to land lucrative jobs with their airlines upon their return to Lebanon. Most hold American pilot licenses and have counted upon receiving Lebanese licenses automatically, on a reciprocal basis. The Airlines, on the other hand, do not want to hire "piper-cub" pilots to fly their four-engined aircraft. Inasmuch as there is substantial American interest involved in the dispute, the Embassy will report further to the Department by separate despatch as additional details are obtained.

OFFICIAL USE ONLY

0243

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

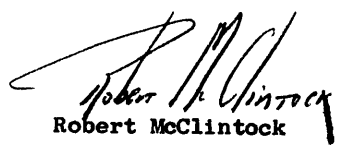
OFFICIAL USE ONLY

Page 7 of 7
Desp. No. 138
from BEIRUT

XI. UNCLASSIFIED - Petroleum Affairs: Tapline Negotiations; Progress of Exploration by Elwerath.

Under the headline "Government Presses for Resumption of Tapline Negotiations" the Beirut business weekly, Middle East Economic Survey, notes a report in the August 14 issue of the Arabic language daily, Lisan al-Hal, that in an effort to secure funds for the implementation of a number of development projects, the Lebanese Government is pressing for the resumption of oil transit royalty talks with Tapline. According to Lisan al-Hal, the Government's viewpoint is that the Company should enter into separate talks with Lebanon without first waiting for the settlement of the outstanding differences over the division of royalty payments among the four countries through which the pipeline passes. (On August 18, the press quoted Lebanese Minister of Public Works, 'Uthman al-Dana as saying that no agreement has been made among the four Arab states regarding the sharing of Tapline's transit royalty payments, and that there were no plans at present for the resumption of talks among representatives of the four states).

A press report on August 15 stated that Elwerath (the German firm conducting oil exploration operations under an agreement with the Compagnie Libanaise des Petroles) had started drilling operations on July 4, and that its first test well has now reached a depth of 1,600 meters with drilling operations continuing. The well is located at Wata al-Qamu', east of al-Hermel in the Northern Bekaa.


Robert McClintock

Contributors:
J.H. Ennis
C.B. Cook

Copies sent to: Amembassies Amman, Ankara, Baghdad, Cairo, Jidda, London, Paris
Tel Aviv, Tripoli; Amconsen Aleppo, Damascus, Dhahran; Amcons
Aden, Kuwait

OFFICIAL USE ONLY

0244

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

Air Pouch
PRIORITY

OFFICIAL USE ONLY
(Security Classification)

DO NOT TYPE IN THIS SPACE

FOREIGN SERVICE DESPATCH

FROM : Amembassy BEIRUT

TO : THE DEPARTMENT OF STATE, WASHINGTON.

September 15, 1960

REF : CERP, Section C. Item 1; Embdesp. 138, September 1, 1960

15 For Dept. Use Only	ACTION NEA-4 REC'D 3/19	DEPT. AF-5 L-2 20-2 FE-4 MC-1 PMR-2 REP-1 INR-10 ICA-11 UMSC-1 E-7 EUR-3 F OTHER OCB-2 NSA-4 COM-12 TR-3 FRB-3 XMB-4 O 051A-10 OSD-2 ARMY-35 NAVY-20 AIR-30 CIA-16
-----------------------------	----------------------------------	--

SUBJECT: Biweekly Economic Review No. 25 - Lebanon - Period Ending September 15, 1960

AG-10 TAR-2 HEW-5 PAA-5
CAB-6 IN-7 LAB-6

Contents

Note

- I. OFFICIAL USE ONLY - General Trends
- II. UNCLASSIFIED - Economic Development: Criminal Process Starts in Itani Case.
(See BER 22)
- III. UNCLASSIFIED - Foreign Trade: Government Spokesmen Deny Plan for Nationalizing Drug Trade (See BER 24)
- IV. UNCLASSIFIED - Foreign Trade: Republic of China Trade Mission Develops Lebanese Trade Leads.
- V. UNCLASSIFIED - Aviation: MEA Charters Two Comet 4-C's
- VI. UNCLASSIFIED - Lebanese Mail Deliveries by Helicopter?

883A.00/9-1560

HBS

ECON:LC:lhany:bmb

REPORTER

OFFICIAL USE ONLY

ACTION COPY - DEPARTMENT OF STATE

The action office must return this permanent record copy to RM/R files with an endorsement of action taken.

DECLASSIFIED
Authority NND 940569
By [] NARA Date 7/23/04

OFFICIAL USE ONLY

Pg. 2 of 5
Desp. No.
From BEIRUT

NOTE:

In the absence of two Economic Officers and the Labor Attache, and under an unusually heavy pressure of daily services to U.S. business, the Bi-weekly Economic Review will be submitted in a streamlined and abbreviated form until further notice. The editorial policy will be to report and analyze concisely items indicating trends and developments not suitable or not as yet ready for treatment in other media of official communication with the Department.

I. OFFICIAL USE ONLY - General Trends

Parellel with the preparatory work on the new budget (which is predicted to call for LL 245 million as compared to last year's LL 222,5 million), a great debate is shaping up between those Lebanese who want to safeguard economic liberalism and those who would like to see prosperity more widely diffused and distributed. The immediate problem is how to raise LL 100 million more in revenues for the state, of which LL 30 million will be needed for the public works projects announced in the Ministerial Declaration. It is claimed that, if the methods of tax collection were improved, the Treasury would be enriched by an additional LL 25 million (according to Minister of Education Kamal Joumblatt, by an additional LL 40 million). Observers also point out that bank deposits, which now stand at about LL 700 million, could be utilized for loans to obtain the participation of private enterprise in the public works projects. The Merchants' Association, which is showing itself unusually sensitive (probably because of the latent textile crisis) to all suggestions implying a modification of laissez-faire economics, has submitted to the government two vigorously worded documents: one demanding a continuation of the policy of economic liberalism; the other, reiterating the merchants' steadfast opposition to further protective tariff for the benefit of the industrialists.

Confidence, which, during the first week of September, had returned to the stock market (the volume of transactions having risen to a high of LL 1,290,000 as compared to the LL 1,021,000 high during the last week of July) was rudely shattered, probably by the area-wide political uncertainty following the Majali assassination in Jordan. During the second week of the month there was a precipitous drop to LL 652,000. At the end of the week the U.S. dollar showed a further slight decline to 315,25 piasters. The pound sterling displayed a similarly slight weakening. The probable causes are hesitant commercial activity and the continued withdrawal of Lebanese pounds from local banks.

On the bright side of the picture are customs receipts, port activity, and tourist movements. During the first eight months of the year customs receipts have risen to LL 71,987,006 as compared to LL 54,596,600 during the corresponding

OFFICIAL USE ONLY

0246

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

OFFICIAL USE ONLY

Pg. 3 of 5
Desp. No.
From BEIRUT

period of 1959. Beirut port activity during August showed a slight dip from July, but for the first eight months of the year it stood at a high of 1,132,752 tons as compared to the corresponding 1959 figure of 1,046,648 tons. On the tourism sector there is jubilation over the fact that the summer season has brought about 19,000 foreign visitors to Lebanon (of whom as many as 14-15 thousand are Kuwaiti) and that tourism revenues will probably exceed LL 100 million this year. These points of economic strength lend support to the arguments of those who would like to preserve the economic status quo, without negating the reformist contentions that Lebanese prosperity should be more widely diffused.

II. UNCLASSIFIED - Economic Development: Criminal Process Starts in Litani Case.
(See BER 22)

On September 9 the Attorney General transferred to an examining magistrate the files of the recent Litani investigation. He asked, under Article 363 of the Penal Code, prosecution of Selim LAHOUD, former president of the Litani Administrative Board, Ibrahim BIZRI, Litani Office Director, and of the companies to whom work on the Jezzine tunnel had been entrusted. Lahoud, Bizri, and two foreign company managers (one French, one Italian) have been interrogated and confronted.

OFFICIAL USE ONLY: Comment

Article 363 by the Penal Code prescribes one year's imprisonment and a fine not lower than the value of damage caused for individuals defrauding the government while holding official trusts. Prosecution of Lahoud and his associates in the alleged Litani mismanagement case was a likely development after the elections.

III. UNCLASSIFIED - Foreign Trade: Government Spokesmen Deny Plan for Nationalizing Drug Trade. (See BER 24).

Both Prime Minister Salam and Minister of Health Elias EL-KHOURY have emphatically denied, the former to the press and the latter to a delegation of merchants, that the government has any intention of nationalizing the trade in pharmaceuticals.

OFFICIAL USE ONLY: Comment

Nationalization of the drug trade is one of the issues on which there appears to be a difference of opinion between the economic ministers and the intransigent Minister of Education Kamal Joumlatt. Instead of lending its support to the nationalization bill submitted to Parliament during August by one of Joumlatt's followers, the government is likely to order a new investigation of alleged abuses committed by importers and retailers of drugs in contravention of existing regulations.

OFFICIAL USE ONLY

0247

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

OFFICIAL USE ONLY

Pg. 4 of 5
Desp. No. 171
From BEIRUT

IV. UNCLASSIFIED - Foreign Trade: Republic of China Trade Mission Develops Lebanese Trade Leads

A five-member Republic of China Trade Mission to West Africa spent a week in Beirut and departed for Khartoum on September 10. The Mission called at the Embassy twice, for briefing and debriefing.

OFFICIAL USE ONLY: Comment

Before leaving Beirut, the Chief of the Trade Mission informed an Embassy officer that Salim NAJJAR, President and owner of the local SCIALE aluminum extrusion plant and recent buyer, under the EXIMBANK export credit guarantee program, of U.S. machinery, had expressed to him and his colleagues an interest in obtaining the services of technicians from Taiwan to operate aluminum extrusion presses and in buying from the government-owned Taiwan Aluminum Corporation "huge quantities" of semi-finished aluminum goods (sheets, shapes, tubes and pipings). The Mission also discussed with competent Lebanese authorities the possibility of supplying the Lebanese army with khaki textiles.

V. UNCLASSIFIED - Aviation: MEA Charters Two Comet 4-Cs

Middle East Airlines is reported to have chartered two BOAC Comet 4C aircraft with which it will inaugurate twice weekly services London-Beirut-Dhahran effective November 1. One flight will leave London on Tuesday to go via Rome and Athens to Beirut and Dhahran. The other will depart London on Sundays to the same destinations via Geneva and Athens.

UNCLASSIFIED: Comment

MEA, as previously reported, has also purchased four Comet 4Cs, the first of which is scheduled for delivery in December of this year.

VI. UNCLASSIFIED - Aviation: Lebanese Mail To Be Delivered By Helicopter?

Soleiman Frangie, Minister of Posts, Telegraphs and Telephone, announced this week that mail will be carried between Lebanon and neighboring countries by helicopter "next year." Funds, he said, are being included in next year's budget for this purpose.

OFFICIAL USE ONLY

0248

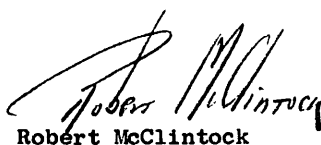
DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

OFFICIAL USE ONLY

Pg. 5 of 5
Desp. No. 171
From BEIRUT

OFFICIAL USE ONLY: Comment

Although details of the Minister's proposal are not yet known, the apparent shortcomings of high-cost helicopter mail deliveries so clearly outweigh any apparent advantages that the project must be regarded with tongue in cheek.


Robert McClintock

Contributors:
J.H. Ennis

Copies sent to: Amembassies Amman, Ankara, Baghdad, Cairo, Jidda, London,
Paris, Tel Aviv, Tripoli; Amconsgen Aleppo, Damascus, Dhahran;
Amcons Aden, Kuwait

OFFICIAL USE ONLY

75

0249

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

AIR POUCH
PRIORITY

OFFICIAL USE ONLY
(Security Classification)

DO NOT TYPE IN THIS SPACE

FOREIGN SERVICE DESPATCH

FROM : Amembassy BEIRUT

208

DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

September 29, 1960

DATE

REF : CERP, Section C, Item 1; Despatch 171, September 15, 1960

SUBJECT: Biweekly Economic Review No. 26 - Lebanon - Period Ending September 29, 1960

Contents

- I. OFFICIAL USE ONLY - General Trends
- II. UNCLASSIFIED - Industry: No Definite Solution Yet for Textile Crisis (See BER 23)
- ✓ III. OFFICIAL USE ONLY - Government Policy: United States Company Finds Compromise Solution for Its Boycott Problem (See BER 22)
- IV. UNCLASSIFIED - Petroleum Affairs: Preparations Under Way for Beirut Petroleum Congress
- V. UNCLASSIFIED - Government Policy: New Budget of LL 268 Million Approved
- VI. UNCLASSIFIED - Labor: Rising Cost-of-Living Causes Strikes and Unrest in Labor Movement
- VII. UNCLASSIFIED - Industry: Announcement Made of Plans to Establish Proctor & Gamble Affiliate in Lebanon
- VIII. UNCLASSIFIED - Government Policy: Cabinet Meets to Consider Social and Economic Problems

BRANCH
CURRENT RECORDS
UNIT

1960 OCT 2 PM 5 13

DEPARTMENT OF STATE
RECEIVED

ECON:LCIhany/dw
REPORTER

OFFICIAL USE ONLY

ACTION COPY - DEPARTMENT OF STATE

The action office must return this permanent record copy to RM/R files with an endorsement of action taken.

883A.00/9-2960

CAA

FILED
OCT 4 1960
NEA
MESSAGE CENTER
100 OCT 9 AM 9 16
10/13/60

0250

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

OFFICIAL USE ONLY

Page 1a of 6
Despatch 208
Beirut

NOTE:

In the absence of two Economic Officers and the Labor Attache, and under an unusually heavy pressure of daily services to United States business, the Biweekly Economic Review will be submitted in a streamlined and abbreviated form until further notice. The editorial policy will be to report and analyze concisely items indicating trends and developments not suitable or not as yet ready for treatment in other media of official communication with the Department.

OFFICIAL USE ONLY

0251

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

OFFICIAL USE ONLY

Page 2 of 6
Despatch 208
Beirut

I. OFFICIAL USE ONLY - General Trends

During the week ending on September 24 the volume of transactions on the Beirut Stock Exchange fell to LL 277,000 (a one million pound drop from the LL 1,290,000 level during the first week of the month), and by Friday, September 23, it stood at zero. In describing this unusual event, several observers employed the term "paralysis". By Monday, September 26, however, the Exchange was back to normal.

Although the Beirut Stock Exchange, because of its irregular and disorganized character, is not a faithful barometer of Lebanon's economic climate, it is an accurate psychological indicator of the mercantile mentality which dominates the national economy. The temporary "paralysis" of the Stock Exchange does not, therefore, indicate an impending economic collapse in Lebanon; but it does register a perturbed state of mind and a temporary loss of confidence in the continued possibility of large commercial and industrial gain on the part of the traders, investors, and service-sellers whose activities have been responsible for the country's high level of prosperity.

Perturbation and lack of confidence among the local economic elite are probably byproducts of current political uncertainty in Lebanon, in the Arab Middle East, and in the world; and also of recent publicity concerning the possibility of economic - especially fiscal - reform as recommended by the Canadian taxation expert Higgins and the French research economist Father Lebreton. The analyses and recommendations of these two foreign authorities, who have recently probed into the sensitive parts of Lebanese economy, will be reported shortly to the Department in a separate despatch now under preparation.

The immediate and acknowledged cause behind the "paralysis" of the Stock Exchange was the five-day bank strike, which began on Thursday, September 22, and ended on September 26. This strike, but one of several recent work-stoppages, was held in protest over the steadily increasing cost of living. Thus, while the trading and speculating elite sees its business threatened by political uncertainty and rumors of reform, the salaried and wage-earning rank-and-file finds its existence menaced by an inflationary atmosphere of rising prices and more money in circulation.

The economic interests of the elite and of the rank-and-file are equally threatened by the repeatedly postponed but now rapidly gathering textile crisis, which may erupt at the end of the period under review. In this emergency the elite is split into opposing industrial and mercantile camps, the former demanding, the latter resisting, protective tariffs; while the wage-earners are facing a loss of employment, should one side succeed in prevailing upon the Government to safeguard its interests at the expense of the other. In the final analysis it appears that the prosperity created in Lebanon by economic liberalism, which is now passing through a crisis, will have to be maintained through intervention by an impartial government.

OFFICIAL USE ONLY

0252

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

OFFICIAL USE ONLY

Page 3 of 6
Despatch 208
Beirut

II. UNCLASSIFIED - Industry: No Definite Solution Yet for Textile Crisis (see BER 23)

Although the September 30 deadline for a solution of the textile crisis is only hours away, there is no public sign of a definite solution as yet. The government committee, which was supposed to have submitted its recommendations for a solution by September 15, has issued no publicity so far. Only the President of the Textile Merchants' Association has reached the public by reiterating to a press conference, on September 22, the unchanged opposition of his group to any increase in duty or system of prior licensing.

OFFICIAL USE ONLY - Comment

A member of the problem-solving committee has informed the Embassy that the Government is now considering three possible solutions: (1) a 50 piaster (\$0.159) prime on each kilogram of imported raw cotton, payable by the Government to the processing industrialist (this is the unpublished recommendation of the committee); (2) an increase of duty on imported textiles, 10 - 15% in the case of goods not manufactured, and 30% in the case of goods manufactured, in Lebanon (this is the solution preferred by government experts other than of the Ministry of National Economy); and (3) a 25 piaster (\$0.079) prime from the Government to the industrialist on each kilogram of imported raw-cotton, combined with a 7.5% - 15% increase in duty on finished textile products imported into Lebanon (a compromise solution preferred by the Ministry of National Economy).

The contact has stated that the Government is not likely to accept the committee's recommendation (No. 1 above); that it is not worried about the opposition of the merchants to a higher tariff; and that, if a crisis erupts this weekend, "it will be the fault of these gentlemen" (the merchants). He has stressed that higher duties, if adopted, will be directed against imports from East Bloc countries and not against the West.

III. OFFICIAL USE ONLY - Government Policy: United States Company Finds Compromise Solution for Its Boycott Problem (See BER 22)

A high Firestone official spent several days in Beirut during mid-September and called at the Embassy to discuss the problems of his company due to its recent blacklisting.

OFFICIAL USE ONLY - Comment

The local Firestone representative has informed an Embassy officer that a temporary compromise solution has been agreed upon with the Lebanese Government, under which the products of only Firestone International, but not of its Firestone affiliates, will be boycotted in Lebanon. Since about 85% of the Firestone products imported into Lebanon originate with the affiliates, this solution is acceptable to Firestone.

OFFICIAL USE ONLY

0253

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

OFFICIAL USE ONLY

Page 4 of 6
Despatch 208
Beirut

IV. UNCLASSIFIED - Petroleum Affairs: Preparations Under
Way for Beirut Petroleum Congress

The Second Arab League Petroleum Congress, which will take place in Beirut October 17-21, will be the biggest business conference to have been held in this city. Six hundred to one thousand delegates and observers are expected from the nations of the Arab League, Iran, Venezuela, Mexico and Argentina, including many representatives of the press. It is reported that the League will attempt simultaneous translation of speeches and rapid reproduction of the transcripts of discussions.

UNCLASSIFIED - Comment

If the conference is an administrative success, Lebanon will probably bid for more such meetings. The Embassy will observe the sessions carefully from this point of view, as well as from the substantive one. As Beirut develops into an international conference city, United States export possibilities in Lebanon for simultaneous translating systems appear.

V. UNCLASSIFIED - Government Policy: New Budget of LL 268 Million
Approved

The Council of Ministers has approved the 1961 budget, which calls for LL 268,000,000 (\$85,079,365), as compared with LL 222,235,000 (\$70,550,794) last year. According to an official announcement, the LL 45,765,000 (\$14,528,571) increase over last year's budget is "due partly to the higher salaries the Government proposes to pay next year".

UNCLASSIFIED - Comment

The new budget is considerably higher than the LL 245 million which had been predicted. A few days before the cabinet approval, Prime Minister Salaam announced that the Government of Kuwait had agreed to grant Beirut Municipality a loan of LL 45 million at 4% interest for the execution of development and construction projects. This announcement may have influenced the cabinet in approving the high figure of LL 268 million.

VI. UNCLASSIFIED - Labor: Rising Cost-of-Living Causes
Strikes and Unrest in Labor Movement

Following a rash of minor labor disputes, the Government was confronted last week with two major strikes, one of which might have proved fairly serious. On September 21, approximately 85 employees of the Lebanese Petroleum Company (LEPCO), the Lebanese distributor of Caltex products, walked off the job demanding a 15% wage increase to cover recent rises in the cost-of-living. On the following day some 1200 members of the Bank Employees Union struck a majority of the Beirut banks, demanding a blanket 10% cost-of-living increase and certain revisions in indemnities paid upon

OFFICIAL USE ONLY

0254

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

OFFICIAL USE ONLY

Page 5 of 6
Despatch 208
Beirut

dismissal. While many major banks including the privately owned government bank (the BSL) were affected, the three American banks in Beirut, none of which is organized, continued to operate on a somewhat restricted basis. Although there was some tension following a government threat to open the BSL by force if a rapid settlement were not reached, such intervention did not materialize, and at a four-hour meeting September 26 labor and management reached a compromise agreement whereby an average cost-of-living wage increase of slightly over 9% was granted, retroactive to June 1, 1960. The indemnity issue was left unsettled pending parliamentary action on proposed amendments to the Lebanese labor code.

The LEPCO strike, already marked by at least one violent incident, continues. A compromise settlement now appears imminent, however, with a cost-of-living wage increase of around 10% anticipated.

OFFICIAL USE ONLY - Comment

It appears likely that the relative success of these two strikes will result in more insistent demands from several other unions within the next few weeks. In the forefront is a threatened strike by the employees of the Beirut electric company, an autonomous government agency, and reports have been received of possible strike actions which would affect the Beirut port, the government-owned railroads, and the French-controlled tobacco monopoly. On the positive side, the wave of strikes and threatened strikes has finally forced the Government to devote serious attention to the rising cost-of-living, but whether it will be willing to take effective measures to control the situation remains to be seen.

While no accurate data are available, it is evident that there has been a rather alarming increase in the cost-of-living in Lebanon's urban areas since mid-1959, due only in part to the unusually severe drought conditions prevailing during the last three years. One American firm, which prepares a monthly cost-of-living index, has furnished figures indicating that there has been an average increase in the cost-of-living of 12.7% during the period September 1959 through June 1960, as compared with the period January through August 1959.

VII. UNCLASSIFIED - Industry: Announcement Made of Plans to Establish Proctor & Gamble Affiliate in Lebanon

A two-column advertisement appeared in several papers last week announcing the forthcoming establishment of a factory for the production of Proctor & Gamble detergents. According to the advertisement, the principals will be Fuad es-SAID, wealthy Lebanese and current distributor for P & G, and Proctor & Gamble A.G., Lucerne, Switzerland. The Lebanese side will contribute capital of "more than" LL 2 million while P & G will provide technical and managerial assistance. It is anticipated that the initial production of around 2,000 tons per year will be consumed locally,

OFFICIAL USE ONLY

0255

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

OFFICIAL USE ONLY

Page 6 of 6
Despatch 208
Beirut

but that production may be expanded to cover exports later. The plant will employ initially about thirty persons.

OFFICIAL USE ONLY - Comment

An Embassy employee has been informed by Mr. Said that shares in the new company will probably be controlled by his family. P & G is to furnish 50% of the capital required on a loan basis. Net profits of the firm will be divided on a 50-50 basis between P & G and the firm itself.

While it has not yet been confirmed, it appears that the original P & G subsidiary, Proctor & Gamble (Lebanon) S.A.L., established in May 1958, has been consigned to oblivion. It is known that this company had been unsuccessful in obtaining a six-year waiver of Lebanese income taxes, and this fact may have persuaded P & G to seek less direct participation.

VIII. UNCLASSIFIED - Government Policy: Cabinet Meets to Consider Social and Economic Problems

The September 28 meeting of the Council of Ministers was largely devoted to a consideration of current social and economic problems. The following three decisions are reported to have been reached:

- 1) To adjust the 1961 budget slightly downward, from LL 268 million to LL 267,067,000;
- 2) To charge a ministerial commission of two (Chahine and Babikian) with an inquiry aimed at speeding up the realization of the various solutions proposed for social problems; and
- 3) To postpone acting upon the demands of the textile manufacturers until such time as the latter submit their detailed cost analysis, and "not to hesitate to take all the measures provided by the law in the event the industrialists resort to a closing of their plants without previous justification."

OFFICIAL USE ONLY - Comment

Points 1 and 2 above are too long-range to have an effect on problems demanding an immediate settlement. Point 3 prolongs the textile crisis and will be bitterly resented by the industrialists. In the meantime, the LEPCO strike continues and new work-stoppages are threatened by the employees of the Office of Electricity and Transportation, the Beirut Port Company, and the Tobacco Monopoly (Regie). As of last night the Textile Workers' Union is assembled in a permanent session so as to be able to declare a general strike should lay-offs start in the plants.

Contributors:
CBCook
CJDwyer


Robert McClintock

Copies to Amman, Ankara, Baghdad, Cairo, Jidda, London, Paris, Tel Aviv, Tripoli, Aleppo, Damascus, Dhahran, Aden, Kuwait

0256

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04